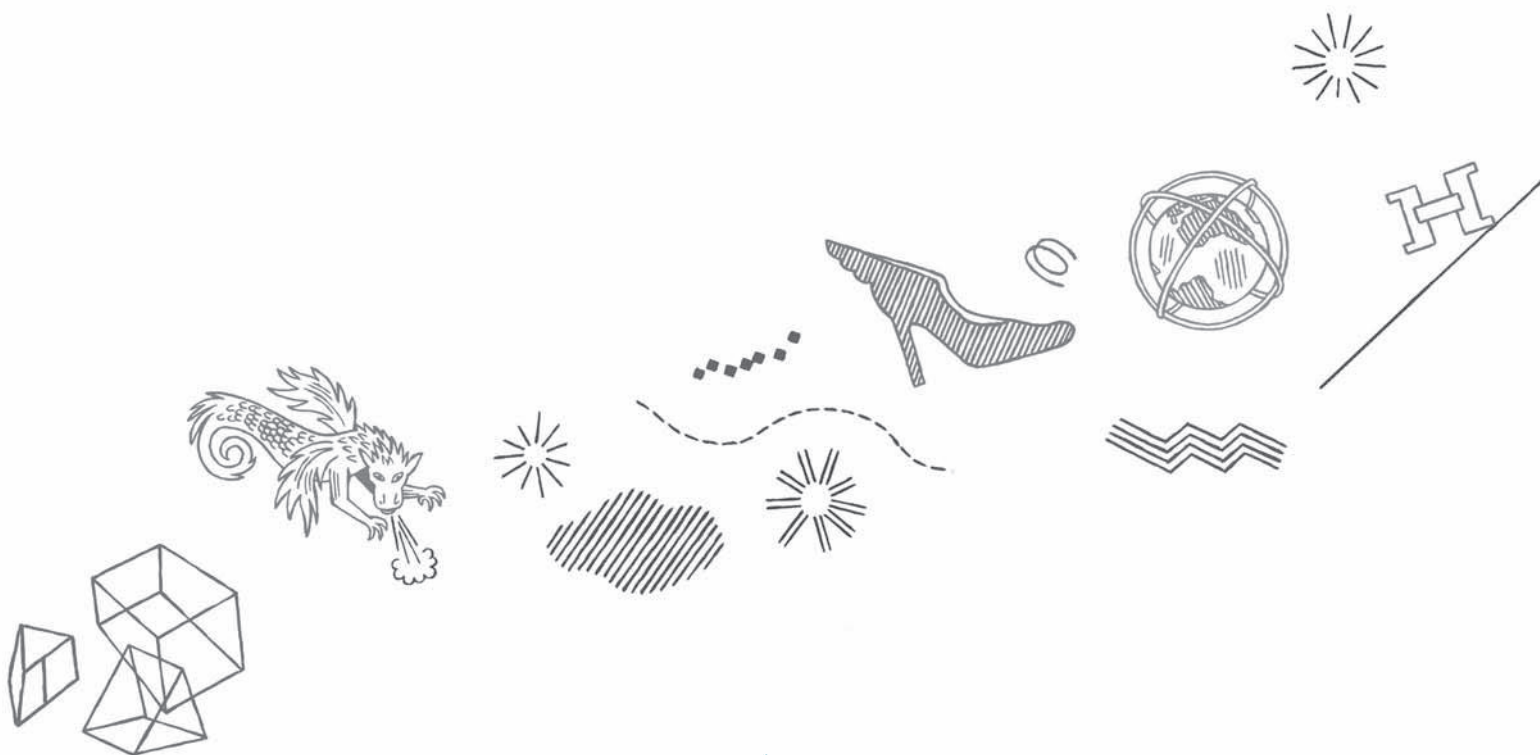


2019 UNIVERSAL REGISTRATION DOCUMENT

INCLUDING THE ANNUAL FINANCIAL REPORT



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The sections of the Annual Financial Report are identified in the contents with the **AFR** pictogram.

Elements constituting the statement of non-financial performance are clearly identified in the contents with the **NFPS** pictogram.



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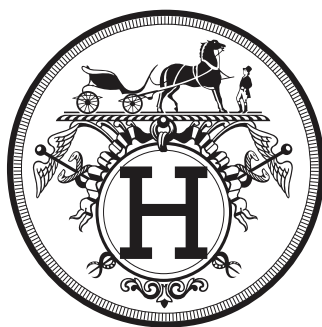
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2019
UNIVERSAL
REGISTRATION
DOCUMENT

Including the Annual Financial Report

MESSAGE FROM THE EXECUTIVE MANAGEMENT



2019 bears witness to the solidity of our artisanal model based on balanced development across our métiers and regions.

Though the decade has come to an end amid intense uncertainties and a general awakening to environmental and public health concerns, it is clear that Hermès' offering remains relevant and well-liked.

This offering is based on the simple idea of creating objects designed to last. They are the fruit of mastering tried-and-tested know-how that is passed down and enriched through the generations, crafted from exceptional materials that embrace time and are nourished by it, objects whose aesthetics are born of function.

This reality is one that we cherish and uphold. In the second half-year of 2019, we laid the foundation stone of our future Montereau manufacture, and we are preparing to open the Guyenne workshop later this year. Our collections have been a great success with our customers both long-standing and new, as confirmed by our results; our commitments have become more visible with the signature of the Fashion Pact; and we continue to extend and embellish our exclusive distribution network with confidence in our own future and that of our markets, which, with the recent addition of Poland, now total forty-five.

So we are right to stay confident, while remaining firmly anchored in our reality. Without distracting us from our path, but adjusting to our environment, our dreams – since this was our theme for 2019 – drive us ever onwards and contribute to the desirability and performance of our business model.

Axel Dumas
EXECUTIVE CHAIRMAN

Émile Hermès SARL
EXECUTIVE CHAIRMAN
REPRESENTED BY HENRI-LOUIS BAUER

HIGHLIGHTS 2019

Exceptional sales and results growth in 2019

The Group's consolidated revenue amounted to €6,883 million in 2019, up +15% at current exchange rates and +12% at constant exchange rates. The recurring operating income¹ increased +13% to €2,339 million (34.0% of sales). Net profit reached €1,528 million (22.2% of sales).

Axel Dumas, Executive Chairman of Hermès, said: *"Hermès achieved outstanding performances this year, based on a balanced growth in all the business lines and in all the geographical areas. This sound momentum is supported by our craftsmanship model, the integration of the distribution network and ample creativity, thanks to the talent and incredible commitment displayed by all the women and men of Hermès."*

All the geographical areas posted strong growth in 2019

(at constant exchange rates unless otherwise indicated)

The revenue generated in 2019 in the group's stores (+13%) was particularly sustained and was driven by growth in all the geographical areas. Hermès continued to improve the quality of its distribution network, with both store openings, renovation and extension completed on almost twenty stores.

Asia excluding Japan (+18%) pursued its strong growth in Greater China, despite the impact of events in Hong Kong in the last quarter, and in South Asian countries. The stores in Qingdao in China and Hyundai in Korea were extended and reopened in December, after the Xiamen store in China and Phuket Floresta store in Thailand openings earlier in the year. Hermès continues to successfully develop its digital platform, rolled out in Singapore and Malaysia in October.

Japan (+8%) increased, with the year-end impacted by anticipated purchases due to the VAT increase in October. The new platform hermes.jp was launched in June.

America (+12%) confirmed its momentum throughout the area. After the recent store openings in New York's Meatpacking district and in Waikiki in Honolulu, the San Francisco store was extended and reopened in November, confirming dynamic growth both in the United States and in the other countries in the area.

Europe excluding France (+8%) achieved a sound performance, driven in particular by the United Kingdom and Italy. In November, Hermès opened its first store in Warsaw, Poland, a new country for the Group. France (+8%) posted growth, despite the negative impact of the events at the end of the year.

Sales by métier at the end of December

(at constant exchange rates unless otherwise indicated)

All the business lines recorded growth, with outstanding performance of the Ready-to-Wear & Accessories and Jewellery divisions.

Leather Goods and Saddlery (+11%) benefited from sustained demand, both for the re-invented classics and other models such as the *Mosaïque*, *24/24* or *Twins bags*. The increase in production capacities continued, with the ramp-up of the Manufacture de l'Allan workshop, and the launch of the work on the Guyenne and Montereau workshops, due for completion in 2020. A new workshop will be built in Louviers by 2021. A new site in Ardennes, announced for 2022, will become the Group's 21st leather workshop, reinforcing the company's local integration in France and the creation of social value.

The Ready-to-Wear and Accessories division (+17%) confirmed its strong momentum, thanks to the success of the men's and women's ready-to-wear collections, and fashion accessories, particularly shoes.

The Silk and Textiles business line (+7.5%) posted an increase, with collections that combine diversity of materials with strong creativity, both by their design, their new formats, the fabrics and methods used. The 2019 Spring-Summer and Autumn-Winter collections received a very warm welcome.

1. Including the impact of IFRS 16 on leases. In accordance with IAS 8, Hermès has applied the new standard on a full retrospective basis, and has restated the financial statements for the period ended 31 December 2018.

Perfumes (+4%) improved, driven particularly by the success of *Terre d'Hermès* and *Twilly d'Hermès* and by the new variations *Un Jardin sur la Lagune* and *Twilly d'Hermès Eau poivrée*. The Maison will continue to demonstrate entrepreneurial spirit in 2020 with the launch of a new Hermès Beauty business line.

The Watches business line (+12%) recorded a solid sales performance reflecting the creativity of the collections and the network's selectivity. The new women's watch *Galop d'Hermès* was well received, and Hermès Watches were rewarded for the fourth time in November at the *Grand Prix de l'Horlogerie de Genève* for the *Arceau L'heure de la lune* model.

Other Hermès business lines (+20%), which encompass Jewellery, Art of Living and Hermès Table Arts, were up sharply, with a good increase in Jewellery, particularly thanks to high-end collection, illustrated by the *Black to Light* collection.

Strong increase in results in 2019

Recurring operating income increased 13% to €2,339 million from €2,075 million in 2018. The recurring operating margin reached 34.0% of sales, compared to 34.8% in 2018, due to the negative impact of foreign exchange hedges.

Consolidated net profit (Group share) reached €1,528 million, compared to €1,405 million at the end of December 2018, +9%. Restated for the

non-recurring gain from the sale of the former Galleria store premises in Hong Kong in 2018, the increase in net profit is +13%.

Operating investments amounted to €478 million and adjusted free cash flow¹ reached €1,406 million.

After payment of the ordinary dividend (€474 million), the net cash position increased by €946 million to €4,562 million compared to €3,615 million as at 31 December 2018.

In 2019, Hermès International redeemed 84,757 shares for €52.4 million, excluding transactions completed within the framework of the liquidity contract.

Growth in workforce

The Hermès Group continued hiring people and increased its workforce by around 1,100 people. At the end of 2019, the group employed 15,417 people, including 9,522 in France.

Hermès will pay a €1,500 bonus to all employees in 2020 following the good 2019 Results. This measure confirms the willingness and commitment to share the fruits of growth with all those who contribute to it on a daily basis, after the announcement of a new free share plan to all employees in July 2019.

1. Adjusted free cash flow is the sum of cash flows related to operating activities, less operating investments and the repayment of lease liabilities recognised in accordance with IFRS 16 (consolidated statement of cash flows).

1

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1.1 STAGES OF THE GROUP'S HISTORY

Hermès holds a unique position in the luxury market, which was valued at €281 billion in 2019¹. The Group is therefore, relatively speaking, less exposed to general changes in the sector.

Today, the Group employs 15,417 people worldwide and has 311 exclusive Hermès stores, 223 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, rue Basse-du-Rempart in Paris. Gradually, from one generation to the next, the House followed this dual thread – the painstaking, patient work of the craftsman in his workshop, and the busy, active lifestyles of its customers, always keeping true to the spirit of freedom and creation.

In 1880, Mr Charles-Émile Hermès, son of the founder, moved the workshops to 24, Faubourg Saint-Honoré, and added a store where customers could order bespoke harnesses and saddles. The company had already earned a reputation for the care it took to personalise its creations.

In the interwar years, lifestyles changed and the House innovated, under the leadership of the founder's grandson, Émile Hermès. In 1922, it gained exclusive rights to the zipper, used for luggage and clothing. While remaining loyal to the equestrian world, Hermès expanded into other *métiers*, leveraging its mastery of raw materials and its culture of craftsmanship.

At the helm of the House from 1951, Robert Dumas, one of Émile Hermès' sons-in-law, was a frequent visitor to the workshops and designed objects with mechanisms of great elegance (buckles, clasps, saddle nails, and anchor chains) which in no way detracted from their utility. Hermès objects were remarkable for the nobility of their materials, the mastery of *savoir-faire*, and creative boldness – the silk *métier* was then commissioning artists to create original motifs.

From 1978, his son, Jean-Louis Dumas, devoted himself to really making the House stand out. In 1987, for the saddler's 150th anniversary, a memorable firework display inspired the first theme of a tradition that continues to today: to nourish each year's creations with a shared inspiration. Jean-Louis Dumas drove the Group's international expansion, gradually opening a series of Maisons Hermès, on Madison Avenue in New York in 2000, in the Ginza district of Tokyo in 2001 – an edifice in glass bricks designed by Renzo Piano – then in Dosan Park, Seoul in 2006.

From 2006, Patrick Thomas developed a decentralised organisation structure for the *métiers* and managed the transition with the sixth generation of the family. Appointed Artistic Director in 2005, Pierre-Alexis Dumas, Jean-Louis Dumas' son, opened a whole new chapter by establishing the Fondation d'entreprise Hermès. Axel Dumas, Executive Chairman since 2013, boosted the house's growth dynamic with the opening of the fifth Maison Hermès in 2014 in Shanghai. Amongst others, he drove the group's digital strategy, which culminated in the revamping of the hermes.com website in 2018.

For more than 150 years, Hermès has developed its *métiers* without ever losing sight of its high quality standards, and the entrepreneurial model that has emerged is quite unique today. Going against the tide of industrial and global standardisation, Hermès endeavours to offer a unique selection of objects in each of its 311 stores.

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 fashion
- ◆ *Mallette à coins rapportés*

1927

- ◆ Wristwatches
- ◆ *Filet de selle* bracelet

1928

- ◆ *Ermeto* watch
- ◆ *Sac à dépêches*

1930

- ◆ Diaries

1937

- ◆ First silk scarves

1. Source: *Luxury Goods Worldwide Market Study* by Bain & Cie.

1938

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

1949

- ◆ Printed silk ties
- ◆ *Collier de chien* belt and bracelet

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

- ◆ First Hermès shoes for women

1974

- ◆ *Amazone* fragrance for women

1975

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

1978

- ◆ First 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

- ◆ First 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* desk line, 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 *Hermessence* fragrance collection

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
- ◆ First *Hermès Éditeur* scarf
- ◆ *Un Jardin après la Mousson* fragrance

2009

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

2010

- ◆ First *Haute bijouterie* collection
- ◆ *Les Maisons enchantées faïence* tableware
- ◆ *Talaris* saddle
- ◆ *Voyage d'Hermès* fragrance
- ◆ 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
- ◆ First 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
- ◆ *Les Nécessaires d'Hermès* occasional furniture

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
- ◆ Fourth 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

2019

- ◆ Simone bag
- ◆ Animapolis scarf
- ◆ Un jardin sur la lagune fragrance
- ◆ Arceau Heure de la Lune watch
- ◆ Niloticus Lumière jewellery collection
- ◆ Vivace saddle

1.2 GROUP GOVERNANCE

1

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 take certain decisions.

Detailed information on the administrative and management bodies is provided in chapter 3.

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. Detailed information on the composition and the work of the Supervisory Board is provided in chapter 3.



1

The members of the Executive Committee in the Hermès store on Avenue George-V, Paris. From left to right: Éric du Hailgouët, Catherine Fulconis, Wilfried Guerrand, Axel Dumas, Olivier Fournier, Charlotte David, Guillaume de Seynes, Pierre-Alexis Dumas and Florian Craen.

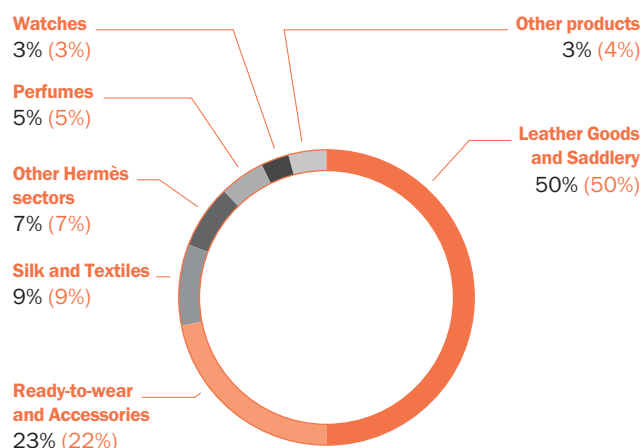


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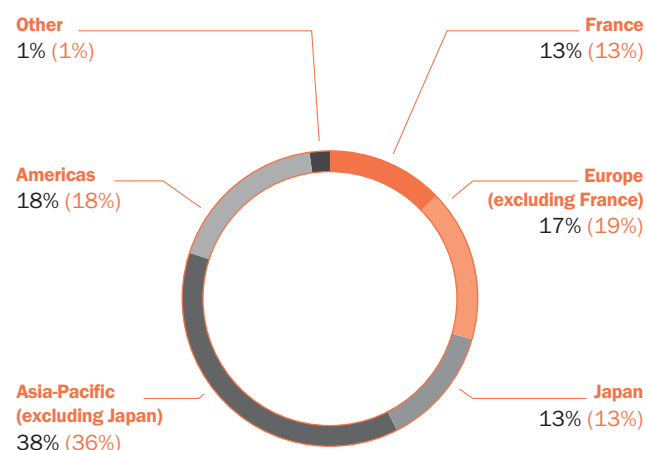
*Eric de Seynes
Chairman of the Supervisory Board*

AFR 1.3 KEY FIGURES

1.3.1 BREAKDOWN OF REVENUE BY MÉTIER 2019 VS. 2018



1.3.2 BREAKDOWN OF REVENUE BY GEOGRAPHICAL AREA 2019 VS. 2018



1.3.3 KEY CONSOLIDATED DATA

In millions of euros	2019	2018 restated*	2017	2016	2015
Revenue	6,883	5,966	5,549	5,202	4,841
Growth at current exchange rates vs. n-1	15.4%	7.5%	6.7%	7.5%	17.5%
Growth at constant exchange rates vs. n-1 ¹	12.4%	10.4%	8.6%	7.4%	8.1%
Recurring operating income ²	2,339	2,075	1,922	1,697	1,541
In % of revenue	34.0%	34.8%	34.6%	32.6%	31.8%
Operating income	2,339	2,128	1,922	1,697	1,541
In % of revenue	34.0%	35.7%	34.6%	32.6%	31.8%
Net profit attributable to owners of the parent	1,528	1,405	1,221	1,100	973
In % of revenue	22.2%	23.6%	22.0%	21.2%	20.1%
Operating cash flows	2,063	1,863	1,580	1,427	1,217
Operating investments	478	312	265	262	252
Adjusted free cash flow ³	1,406	1,447	1,340	1,212	933
Equity attributable to owners of the parent	6,568	5,470	5,039	4,383	3,742
Net cash position IFRS ⁴	4,372	3,465	2,912	2,320	1,571
Restated net cash position ⁵	4,562	3,615	3,050	2,345	1,614
Workforce (number of employees)	15,417	14,284	13,483	12,834	12,244

* Including the impact of IFRS 16 on leases. In accordance with IAS 8, Hermès has applied the new standard on a full retrospective basis, and has restated the financial statements for the period ended 31 December 2018.

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

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

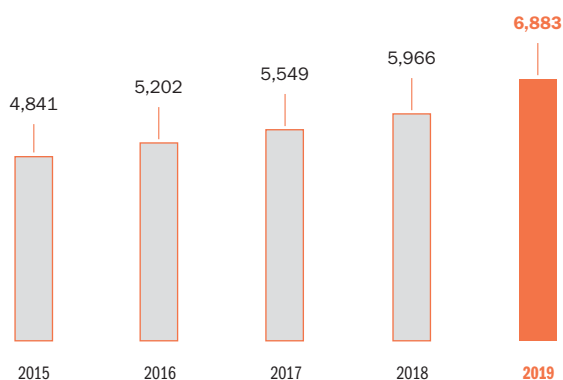
(3) Adjusted free cash flow is the sum of cash flows related to operating activities, less operating investments and the repayment of lease liabilities recognised in accordance with IFRS 16 (consolidated statement of cash flows).

(4) The IFRS net cash position includes cash and marketable securities, less bank overdrafts and short-term debt. It does not include lease liabilities recognised in accordance with IFRS 16.

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

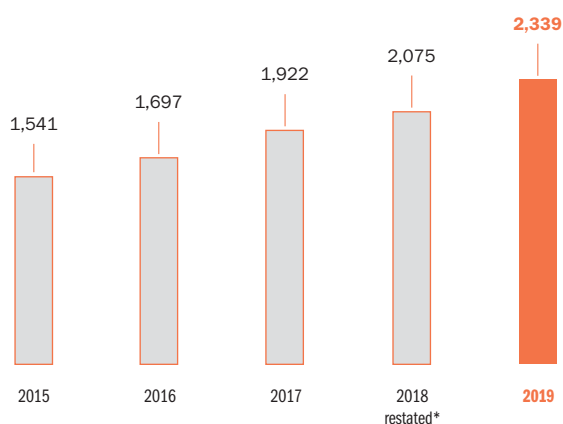
1.3.3.1 CHANGE IN CONSOLIDATED REVENUE

In millions of euros



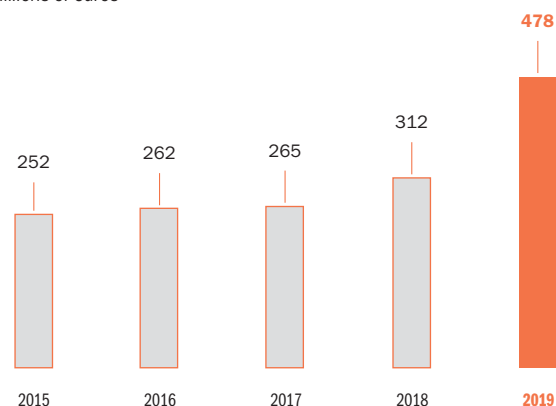
1.3.3.2 CHANGE IN RECURRING OPERATING INCOME

In millions of euros



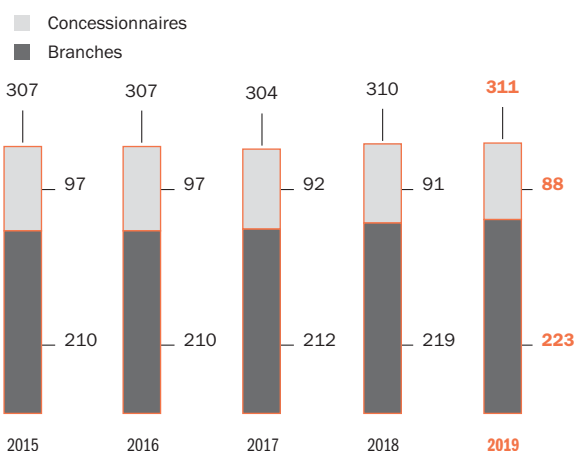
1.3.3.3 CHANGE IN THE NUMBER OF OPERATING INVESTMENTS

In millions of euros



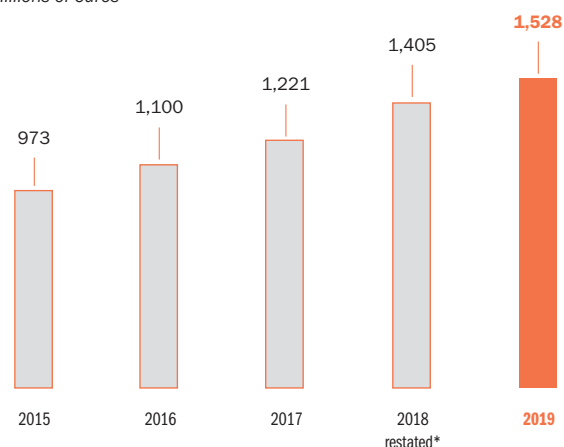
1.3.3.4 CHANGE IN THE NUMBER OF EXCLUSIVE HERMÈS STORES

In millions of euros



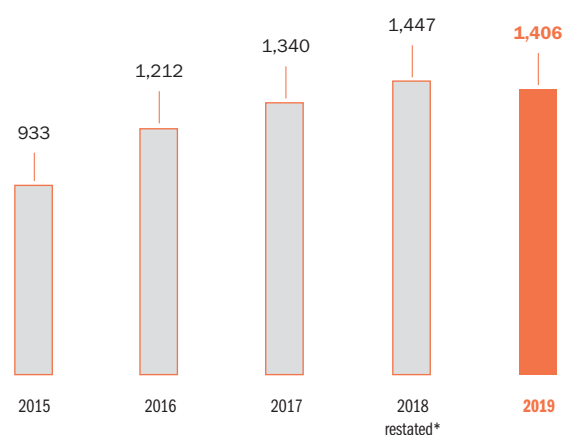
1.3.3.5 NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT

In millions of euros



1.3.3.6 CHANGE IN ADJUSTED FREE CASH FLOW

In millions of euros



1.4 STRATEGY

The Hermès strategy revolves around our values: spirit of conquest, creativity, craftsmanship, quality, authenticity and independence. Creation hinges on two pillars: our craftsmanship activities and our exclusive distribution network.

CREATION AT THE CORE OF HERMÈS'S STRATEGY

The Hermès strategy is underpinned by the freedom of creation, championed by its designers and artistic directors around a given theme, which shines a common far-reaching light on all activities of the House. Every year, this theme inspires the collections presented to country managers and store managers at the *podiums*. “*In the pursuit of dreams*” was the theme for the year 2019. Celebrating the dream of Hermès means asserting the need to dare to see even further, to open the field of the imagination that stimulates creation. This creativity revolving around traditional know how is coupled with innovative processes to revisit timeless models and create exceptional pieces, without departing from Hermès' trademark humour and imaginative flair. This is true of the House's 16 *métiers* and of its other products and brands, in particular bootmaker John Lobb, *cristallerie* Saint-Louis and silversmith Puiforcat. This unbridled creativity is present in each *métier*, as reflected in the numerous scarf designs printed every year. It is expressed through over 50,000 references, developed around a unique identity and a style blending exceptional quality, innovation, surprise, elegance and simplicity.

Hermès's mission is to create unique and original objects to elegantly satisfy the needs and desires of its customers. Its goal is the pursuit of excellence, in each of its *métiers* and services, with craftsmanship at the heart of its model.

UNIQUENESS AND PERFORMANCE OF THE CRAFTSMANSHIP MODEL

Hermès leverages its craftsmanship activities, the first pillar of its strategy, with nearly 5,200 craftsmen in France. A House of over 180 years, backed by a rich history shaped by six generations of craftsmen, Hermès draws from its past through its *savoir-faire*, and is geared to the future through its values that address the concerns of our modern societies. Hermès moves with its times, but always respecting tradition, transmission and innovation. The quest for excellence and quality, the search for precision and elegance are the values that guide its action. It is over this long period of time that the House has forged its *savoir-faire* and its values, and that the Hermès strategic vision has developed.

The craftsmanship model is one of the pillars of Maison Hermès, and ensuring that it lasts is key to its strategy. The House thus works alongside those who master, preserve and transmit craftsmanship know how through their knowledge of materials and their exceptional techniques. With each new leather workshop, around 250 new jobs are created, promoting a pleasant working environment on a human scale.

The House attaches great importance to the continuous improvement of its artisans' skills and *savoir-faire*, as evidenced by its *école du cuir*. The craftsmanship model is at the heart of all the *métiers* of Maison Hermès, using exceptional materials.

To guarantee the long term excellence of this craftsmanship model, the House takes particular care to secure its supplies of materials. Vertical integration, through partnerships and acquisitions, supports the development strategy, with regards to materials as well as techniques and *savoir-faire*.

THE DYNAMICS OF AN EXCLUSIVE DISTRIBUTION NETWORK

The exclusive distribution network, consisting primarily of branches run by the Group around the Hermès brand, is the second pillar of Hermès's strategy. Each of the 311 stores across the world offers a personalised selection of objects, to exceed the specific expectations of its customers and offer a distinct purchasing experience in each and every store. Each store enables our customers to explore and discover the most beautiful products, and extends the House's lustre worldwide.

Customers are placed at the core of the multi-channel and integrated network, so as to best meet their expectations and offer them a unique experience. Across the world, Hermès stores are veritable “object homes”, offering customers a unique experience, complementary to its website *hermes.com*. This offer is backed by innovative services aimed at welcoming and serving them at all times in the best possible manner. The House also offers special occasions that strengthen the bonds among Hermès' stakeholders, revolving around events in the world and dynamic and animated set designs. Each opening or reopening is an opportunity for the House to bring together customers that value its creativity and *savoir-faire*. Hermès's unique way of communicating ensures that the House is recognised in France and worldwide.

The development of new technologies has incited Hermès to boost the omni-channel dynamics of its organisation and to improve the customer experience in its stores and online.

Maison Hermès, present in 45 countries following the opening of a store in Poland at the end of 2019, thus has a geographically balanced network of stores, with a steady pace of development and the constant search for prime locations.

AN ENTREPRENEURIAL SPIRIT AND FREEDOM OF PURCHASE

Beyond its history, the right times for action and the spirit of conquest set the tempo at Hermès, drawing inspiration from the work and talent of all employees driving its corporate vision. This opportune time for action means the art of understanding one's time and capturing the essence of it.

The entrepreneurial spirit has been at the heart of Maison Hermès since its creation, never leaving its side and guiding all aspects of its development. It is illustrated by creative synergies, the capacity for continuous innovation, new *métiers*, such as the Beauty line launched in early 2020, the establishment of manufacturing units and new store openings. An entrepreneurial and innovative spirit underlies the creation of every object.

The strategy offers store managers freedom of purchase, to meet the specific needs of their customers. Two *podiums* are organised every year, presenting the autumn-winter and the spring-summer collections. These bring together all store and country managers, managers of the different *métiers* as well as designers, to present all collections to the sales teams in all regions of the world. They are thus responsible for their own collections and make their store unique with a special mix of products. This freedom means that in each country where Hermès is present, the Group's customers are thus presented with a diversified and unique mix of products resulting from this flurry of creativity, blending iconic products and the House's new references, created by its designers, artists, colourists and artistic directors, to best meet local expectations and dedicated to the elegance of its customers.

AN INDEPENDENT HOUSE

Hermès continues to assert its independence, underpinned by a strong family-based shareholding structure committed to retaining most of its production in France and perpetuating its *savoir-faire* to serve creativity and its long-term vision.

Hermès's strong and sustained development is the result of sound and rigorous management, a resilient business model, and prudent financial management. They contribute to preserving the uniqueness of the House, part of the CAC 40 index since June 2018, in a context of strong growth. This is achieved by maintaining the Group's profitability, its high cash level, its operating cash flows, targeted and qualitative investments, and the security of its assets. Financial independence ensures that its long-term strategy is safeguarded.

VIRTUOUS AND RESPONSIBLE GROWTH UNDERPINNED BY HUMANIST VALUES

The majority of Hermès' production takes place in France, at 43 production sites grouped to create regional clusters. Hermès's strategy is to pursue this sustainable, responsible and social value-based growth

model, with commitment to regions where there is a high level of manufacturing *savoir-faire* to create quality jobs.

Through its engagement with local authorities and communities where its production sites are located, Hermès contributes to revitalising regions, and provides working conditions that offer proximity and stable employment. Control and security of supply are at the heart of the strategy. Through its integrated production, Hermès can produce most of its objects in its internal and exclusive workshops.

Hermès is a humanist company, deeply respectful of all those who, with their hands, commitment, *savoir-faire* and passion, are working to make the House a success.

Hermès's craftsmanship model leaves a careful environmental footprint. In its direct sphere of influence, biodiversity in particular is systematically taken into account in the construction of its production sites, and in its indirect sphere, the Group has a positive impact on its supply chain, by preserving autonomous ecosystems and by participating in global initiatives.

As regards sustainable development, Hermès is determined to leave a positive global footprint, by paying utmost attention to the performance of corporate social responsibility, in keeping with the House's DNA and its craftsmanship model. Hermès's objects are created, designed and made to last, using the most beautiful and robust natural materials and the best craftsmanship *savoir-faire*. A Hermès object acquires a beautiful patina over time and frequently improves with age. Craftsmanship of excellence means a piece that can be repaired. The House has therefore always had craftsmen dedicated to this activity, in France as well as abroad. Offering long lasting, repairable objects, which are meant to be handed down is also a way to reduce the impacts of over-consumption and the wasting of resources, one of the principles to which Maison Hermès is particularly attached. There is a strong commitment to the creation of social value, both collectively through job creation in communities, and individually through bonus share awards, profit-sharing and incentives to employees, testimony to the Group's desire to share the fruits of its growth with those who make it happen on a daily basis. Hermès's commitment also implies strong signals from management. For example, since 2019, 10% of the Executive Chairmen's variable compensation is subject to CSR criteria, such as industrial energy consumption, the local integration of our sites and gender equality.

Hermès's remarkable growth is the fruit of this strategy. It is the result of the high standards of a House founded on craftsmanship and independence and driven by its exceptional *savoir-faire* to serve unbridled creativity. Hermès' strategy hinges on historical *savoir-faire* while remaining resolutely forward-looking, through its regular transformations, creativity and innovation, and its ability to understand and anticipate the aspirations of its customers today. For Hermès, craftsmanship is a sustainable and human adventure, in a constantly changing world.

AFR 1.5 ACTIVITY BY MÉTIER

	2019 Revenue in millions of euros	2019 mix in %	2018 Revenue in millions of euros	2018 mix in %	Changes	
					At current exchange rates	At constant exchange rates
Leather Goods & Saddlery	3,414	50%	2,976	50%	14.7%	11.3%
Ready-to-wear and Accessories	1,574	23%	1,310	22%	20.1%	17.1%
Silk and Textiles	592	9%	537	9%	10.3%	7.5%
Other Hermès sectors	525	7%	425	7%	23.6%	20.4%
Perfumes	326	5%	312	5%	4.6%	4.1%
Watches	193	3%	169	3%	14.7%	11.6%
Other products	258	3%	238	4%	8.5%	7.0%
CONSOLIDATED REVENUE	6,883	100.0%	5,966	100%	15.4%	12.4%

1.5.1 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 2019, it generated €3,414 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 3,800 saddler-leather workers in 17 production units and workshops spread over Paris, Pantin and various regions across France. To meet an ever increasing demand, Hermès inaugurated a new workshop in May located in Fitielleu (Isère), to which is attached a training school in saddler-leather goods *métiers*. The construction of two other leather workshops in Gironde and Seine-et-Marne has started and will be completed in 2020. Hermès also opened a temporary workshop in Louviers (Eure) in September, as a first step to the construction of a new leather workshop scheduled for 2021. 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.

1.5.1.1 BAGS AND LUGGAGE

Inspired by the year's theme "In the pursuit of dreams!", 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, inspired by everyday life and new uses, have invented new creative skills and enriched existing lines with new sizes and functionalities.

A number of new styles emerged revolving around clasps, and silversmith *savoir-faire*. The *Hermès Clic-H* bag, with its clutch bag style, and pure and slender lines, owes its look to a leather-covered metal strip where the clasp is set and a clever system for fastening its detachable and adjustable shoulder strap. The *Sacabar* bag is a blend of casual good looks and structured construction: its clean lines and trapezoid shape contrast with the roundness of its leather-covered hinge, from which the flap opens, and with the design of its stick clasp, which operates thanks to an invisible fitting. A pair of metal sticks, slipped into leather loops, unveils the two faces of the *Hermès Twins* bag, a model inspired from the archives. It consists of two pouches that can be worn together or separately, carried in the hand, over the shoulder or at the waist, and can be mixed and matched with different materials and colours, for day time or evening use.

The *Hermès Transat* bag, asymmetric in shape and inspired by a ship's bow as it plunges us into the world of transatlantic cruises, offers an elegantly styled zipped bag: when open, this new "working bag" becomes a tote bag with a twist.

The House's equestrian roots inspired two new identities: the *Bridado* bag, easy to use, worn either over the shoulder or backpack style with a system of hooks and leather straps inspired by the equestrian world. It is adorned by a hot stamp logo in keeping with the world of saddlery. The *Saut Hermès* bag, a day-to-day pouch, is distinguished by its two-tone rod, recalling jumping poles. The flap pivots front and back on this rod offering two different ways of carrying it.

Lastly, the *Simone Hermès* bag, the product of remarkable construction with its rounded bellows, takes us back to a time when schoolchildren carried their books strapped. The adjustable strap slides through allowing the bag to be carried in the hand or over the shoulder.

Besides these many new identities, certain lines have been enriched with additional sizes or functionalities: the *Lindy* bag has become mini and takes on a whole new dimension with the strap worn crossbody style, the *Kellyado* and *Kelly Danse* bags have made a comeback, with their fashionable nomad style. The *Herbag* is given a brand new twist with a new choice of fabric, and travel sizes are back in the range for light weekend getaways.

Continuing with the work around timeless classics, the *Birkin* bag is benefitting from current trends with a choice of several options, including a felt version for a lighter feel, while the more structured *sellier* construction has found a permanent place in the collection. Several versions draw on exceptional *savoir-faire*, such as the *Birkin Shadow* bag, where moulded leather work captures the idea of traces on the sand left by a *Birkin* with the straps open. And the *Birkin Faubourg* bag, crafted with extremely high precision stitching, a more refined yet humorous version, replicating the façade of the Faubourg Saint-Honoré store down to the finest details: windows, awnings, the detailing on the façade, and even the *clochette*, shaped like an orange bag.

The optimum use of *savoir-faire* is reflected in several creations. One of the *Hermès 2002 sellier* construction bags is made entirely in silk printed with the *Sieste au Paradis* drawing by Aline Honoré, such technical prowess requiring extreme precision. Embroidery on the *Verrou* and *Hermès Cinhétic* bags, create an illusion that the animals in Robert Dallet's kingdom trying to open the clasps. The *Kelly un point sur deux* bag stands out with its saddle stitching using two different colour threads, creating an alternating graphical contour reminiscent of fine hand stitching on gloves. Lastly, in summer, the *Kelly Mini Picnic* bag has added to the history of wicker in the House's collections, and confirmed the alliance of *savoir-faire* in basket-making and leather work as a true Hermès signature.

The Men's collections have continued to develop around three themes: emergence of new timeless classic bags, the creation of a casual-sport universe revolving around new materials and bags carried in different ways, and the showcasing of exceptional *savoir-faire*.

The *Kelly Dépêches* bag makes a big comeback adopting a *sellier* construction with pure lines and finely-tuned proportions for a modern twist. It comes in a classic portfolio format, as well as a smaller pouch format with a wrist strap.

The casual-sport universe continues to develop, with in particular the emergence of a new generation of bags constructed using the *Tech Dynamo fabric*, an innovative textile developed exclusively for Hermès leather goods. This is a seamless 3D jacquard knit, made to measure and requiring no lining and hence very little leather. Light, resistant, structuring, the *Tech Dynamo fabric* revisits existing models such as the *Étrivière Shoulder* and the *Cityslide Cross*. It has also inspired the creation of a new fourre-tout bag for everyday use.

This casual-sport universe also benefits from new ways of wearing bags: with its single strap worn crossbody, inspired by sailors' bags, the new backpack *Hermès Flash Sailor* is an addition to the *Flash* line, which stands out with its reinforced corners inspired by the corners of travel trunks. The "bodybag" line is expanding with *Ultrapla*, a hybrid object between a bag and a pouch, slipped under or over a jacket, moulding to the body's shape for ultimate comfort. And the new beltbag *Cityback Cross*, with a more urban look and a chic and sleek style.

Several variations revolving around exceptional materials have been added to the men's collections. The *Togo Cosmos* calfskin lends itself to a number of models based on a fanciful play on colours, an iridescent halo obtained from the random application process during tanning. Each object made is therefore unique. The story of *Chimères* refers to myths and legends: using the *tuffetage* technique, which consists in embroidering in relief on leather, then carefully snipping this to obtain a velvety effect with a delicate touch. Legendary creatures add a sublime touch to the large *Plume* and *Bolide* bags, as well as the *Cityback* backpack. Softness is also a distinguishing feature of the *Étrivière Arctique* bag, covered in a patchwork of sheepskin and with a graphic design that draws its inspiration from jockeys' silks.

1.5.1.2 DIARIES, SMALL LEATHER GOODS AND WRITING OBJECTS

Dynamic travel companions and vehicles of inspiration, Hermès small leather goods continue to evolve, adapting to contemporary functions and uses.

Highlights of the identity lines include a refreshing addition to the *Kelly* line of small leather goods with a compact format particularly adapted to small bags: the *Kelly Pocket*. With no more straps, for easy access, and a simplified interior design, the zipped pocket is relocated to the exterior. As well as this compact format, a new "To Go" version of the *Kelly Pocket* was also launched, complete with wrist strap. This new category between a clutch and pouch can be worn as a mini bag, complementing the development of the classic long formats. This new category also welcomes the *Cinhétic To Go* purse, which features the engraved and branded clasp of the eponymous line.

The *In-The-Loop* line follows the same trends. Inspired by the *Chaîne d'Ancre* chain link, playful contrasting seams and marquetry details spark the imagination in this feminine line. It comes in five different models to meet the functional needs of today's woman: a phone case in two sizes, to be worn around the neck or across the body, a clutch wallet with a wrist strap, a mini card holder and a compact wallet.

Small formats also gain ground in the men's collections. The *Citadelle* line is based on a brand new design: a single piece of leather is delicately folded like a piece of origami to create a card holder and a wallet with detachable card holder. In the *Rooroo* ("tiger" in Chinese) line of fun and expressive objects, a tigress, wild and ready to pounce, adorns a card holder, pouch and bag charm.

With charms now a category in their own right, Hermès welcomes two new bag miniatures to its range. The *Kelly* bag in perfect miniature, the *Kelly Twilly*, an object of such precision, in which the construction mirrors that of the actual bag, including working metal parts thanks to our watchmaking *savoir-faire*, and with a delicate silk ribbon handle, inspired by the twilly so frequently wrapped around the handle of its larger sibling. And finally a miniature version of the iconic *sac orange* “orange bag”, with all the smooth softness of Milo lambskin.

For Hermès, writing remains the eternal playground of the imagination. To enhance the pleasure of the pen, a fresh new range of stationery, poised to explore undiscovered realms, has been unveiled: six notebooks to take anywhere for everyday use, adorned with images of the House. New maple-wood postcards have been added too. Finally, the *Culbuto* pen is back: a playful object, just waiting for a hand to jump into.

1.5.1.3 THE MATERIALS

2019 was a lavish year for materials, seeing the launch of three new leathers, each with its own characteristics. *Chéri* calfskin opens up a whole new world of softness and sensuality, in the tradition of the super supple *Swift* calfskin, whilst *Jonathan* calfskin promises support without stiffness. For a firmer hold, *Madame* calfskin, with its fine grain and wide colour range, offers a very contemporary metropolitan alternative. 2019 also saw the return of *Chèvre Coromandel* goatskin to the collections. The ultimate mixed leather, its characteristic natural grain has an unmistakable patina and comes in an intensely deep range of shades.

In terms of colour, blue takes centre stage thanks to the ancient Japanese dyeing technique *Aizome*, a method using indigo that dates back to the 14th century. After long months preparing the dyeing baths, the master dyer has only a few seconds to ensure the beautifully subtle variations emerge. This rare and exceptional *savoir-faire* is applied exclusively to the most valuable leathers: crocodile, ostrich and pig skin.

1.5.1.4 EQUESTRIANISM

In 2019, the *Cavale*, *Vivace* and *Arpège* trio of saddles were revamped, pushing the envelope of Hermès’ technical expertise, asserting the brand’s status as a contemporary saddler and driving its ambition to become the benchmark equestrian sports brand once again. These understated sports saddles, carefully designed to ensure the comfort of the horse, are equally suitable for amateur riders and Hermès’s 20 international partner riders. They fly the House flag high and showcase its *savoir-faire*.

The *métier* continues to focus on the quality of the customer experience – drawing on the strength of an expanded sales team to ensure personalised follow-up in store, at the stables and during competitions – and to offer the unique double bespoke service, using the measurements of both horse and rider, with saddle fitting. The pop-up store and spectator boxes have a new visual identity to keep customers surprised and inspired.

The rider’s Ready-to-wear range combines practical elegance and ethical aesthetics, two concepts at the heart of the House’s development and innovation. Eco-sustainable fabrics, machine-washable cashmere and even waterproof thermo-fused seams feature in this contemporary and functional collection for the all-weather rider.

Finally, in 2019, the *métier* gave star billing to the rider’s second best friend, the dog, with the launch of a collection of “dog leashes”, adapting the historic *savoir-faire* of the House to the tastes of today.

1.5.2 READY-TO-WEAR AND ACCESSORIES

The Ready-to-wear and Accessories *métier* is the Hermès Group’s second largest sector, representing consolidated sales of 23%. In 2019, it generated €1,574 million in revenue.

1.5.2.1 WOMEN’S READY-TO-WEAR

In 2019, Nadège Vanhée-Cybulski, creator of the women’s ready-to-wear line, chose the contemporary and active woman as her muse. Exploring the various facets of femininity, she designed a functional collection that draws on different elements of Hermès’ heritage.

For summer, this collection is built around the concept of *Sailor Sellier* (“Sailor Saddler”), weaving together the world of leather goods and the maritime. The shapes are supple, based on maritime-style clothing: duffle coats, parkas, sailor-style trousers and double-breasted jackets. Neo-romantic silhouettes also feature, reviving a Bohemian spirit with fluid shapes and light fabrics: Moroccan crepe, tropical wool and lace with scarf-style motifs.

For winter, functionality features strongly in a women’s ready-to-wear range for everyday use, with a number of casual outdoor pieces, such as the new down jackets, or other more urban pieces, reinventing the role of the suit. Evening wear showcases luxury fabrics and exquisite details – particularly evident in the playful contrasting of matt and shine, the elegance of a velvety calfskin embellished with a constellation design and the refinement of radzimir silk or printed jacquard. Finally, the equestrian theme is expressed in the lines and details inspired by equestrian sports: silk jerseys, competition jackets, and jodhpurs.

1.5.2.2 MEN’S READY-TO-WEAR

Véronique Nichanian, Artistic Director of men’s fashion, continues to expand her vision of the men’s ready-to-wear range, selecting innovative, exceptional fabrics, focusing on detail and introducing the concept of the garment-object. Véronique Nichanian sees Hermès Homme as having multiple faces, in constant motion yet with an air of studied nonchalance.

The spring-summer collection radiates the energy of pure colour: daffodil, golden yellow and orange pop mixed with the poetry of old-fashioned hues such as putty, cement or antique pink. This collection creates a free dialogue between forms, lines and designs, particularly by adorning different pieces with a reinterpretation of the *Jardin de la Maharani* motif, including a silk-screen printed blended blouson jacket.

In this year of “Dreams”, the autumn-winter collection sees the metamorphosis of the emblematic horse into a joyful dragon, appearing on ex-libris buttons, shirts and woven silk jackets. Straight, curved or broken lines accentuate geometric effects on fabric adorned with twists, on the leather of the *Virage* jacket and on jackets embellished with topstitching.

1.5.2.3 FASHION ACCESSORIES

1.5.2.3.1 Jewellery accessories

The *Collier de Chien* bracelet in leather, a great classic of the collections, celebrated its 70th anniversary in 2019. For the occasion, the House launched a lighter more day-to-day version, the *Collier de Chien 24*.

The leather jewellery accessory ranges see the arrival of a new hallmark combining a metal padlock adorned with an engraved H and a stylised Swift calfskin padlock on which it sits. This pair is designed to be worn as bracelets, earrings or a pendant.

Inspired by this year's theme, a pendant has been designed to evoke a mini-box of dreams in stainless steel, with an enamel plate lid that slides open like a pill box.

Horn is used in long twisted rings – an impressive technical feat that enlivens the earring and pendant collections.

Finally, pendants also make an appearance in the men's collections, featuring braided leather or metal, whilst metal bracelets are given a new gold finish.

1.5.2.3.2 Belts

For women, the family of one-size belts welcomes the arrival of three new models designed to complement the jewellery accessories.

Technical innovation makes its way into the men's collections in the form of the reversible 32 width technical two-colour belt with chevron motif. A new buckle composed of six sliding rollers, each engraved with one letter of the word Hermès, injects an element of fun.

1.5.2.3.3 Hats

The peaked cap, ever the star of our collections, sports a new look this year, with studs and a combination of leather and silk, inspired by riding helmets and embroidered with 38 hearts, or in plain cotton canvas.

The hat collections, which always feature straw in summer and felt in winter, boast exceptional materials in the form of a 30-strand Montecristi Panama and a wide-brimmed hat combining a felt brim and leather crown.

1.5.2.3.4 Gloves

The glove collections perpetuate the promotion of a broad palette of *savoir-faire*, with the arrival for winter of an ingenious pair of gloves composed of a one knitted pair and another in leather, which can be worn together or separately. The semi-bespoke, personalised service remains a feature of the *métier* in stores.

1.5.2.3.5 The Internet of Things

The close collaboration between Hermès and Apple® continues with new *Apple Watch Hermès* creations. The latest *Apple Watch Hermès Series 5*, unveiled in the autumn, introduced new cases and straps as well as new and exclusive interactive dials, specially designed for the Retina display now always featured.

The collection plays with contrasting fabrics, marrying monochrome leathers and Della Cavalleria printed leathers. The harmonised dial prolongs the intensity of the shades.

A stark contrast to this playful palette of infinite harmonies is the *Apple Watch Hermès Series 5* in bold monochrome black. This limited-edition model combines a case in black sidereal steel, a black dial that marks the passing of time through a play of light and shadow, and single and double straps in matching Swift calfskin, with an extra Sport Hermès strap in black. This subtle and timeless version is presented in a black case bearing the two names: Hermès and Apple®.

1.5.2.3.6 Shoes

For the summer of 2019, Pierre Hardy, the Creative Director for women's and men's shoes unveiled a varied and joyful feminine collection centred on wedge sandals with dreamlike leather marquetry depicting the sun and moon meeting in a star-strewn sky. Among the unusual combinations, we saw a moccasin-cum-sandal, and mini and maxi buckles side by side in a game of scale in vivid tones.

The winter collection focuses on boots and ankle boots in everyday variations, showcasing lightweight materials such as mesh. New structures combine colourful rubber soles with sleek uppers for a bold silhouette. Shoes are paired with warm velvet fabrics in a range of soft and deep tones.

The men's summer collection focuses on supple slipper-inspired moccasins, enhanced with metal details for a chic and relaxed look. The sports models, in technical textiles or mesh, create a dynamic silhouette. More urban models showcase the shoemakers' *savoir-faire* with stitched leather and contrasting seams.

Winter celebrates lace-up and elasticated ankle boots with ribbed rubber soles for rugged allure. These are combined with city-style two-tone uppers, decorated with micro-perforations. The sporty models feature reflective piping details or printed or embroidered wing motifs on a brightly coloured trainer shoe base.

1.5.3 SILK AND TEXTILES

Silk and Textiles represent the third largest sector of the Group, accounting for 9% of consolidated sales. In 2019, this *métier* achieved €592 million in revenue.

1.5.3.1 WOMEN'S SILK

Silk, with its narrative power, is always the most eloquent expression of the Hermès theme. Season after season, designers take up the theme and bring it to life on the iconic silk carré scarf.

In 2019, dreams are everywhere: in the phantasmagoric and technicolour city populated by friendly animals imagined by Jan Bajtlik, a young Polish designer and creator of *Animapolis*, his first silk scarf for the House. In the imaginary town drawn by the four hands of Octave Marsal and Theo de Gueltzl, *À l'ombre des pivaines* combines architectural elements in amazing detail and immense poetic peonies. And in *La cité cavalière* by Octave Marsal, a recreated map of Paris, inspired by an old engraving in which the Île Saint-Louis and l'Île de la Cité, are shaped like a horse.

A major new arrival, a brand new format for the House: the giant silk twill triangle. A giant square cut in two diagonally, as clean, graphic and fluid as a ship's sail. It is adorned with prints of various heritage designs, such as *Quadrige bayadère* by Pierre Péron or *Éperon d'or* by Henri d'Origny, recomposed and adapted for the triangular format.

A refreshing wave rolls through the summer collection, with incredibly light pure silk chiffon scarves and square artisanal cashmere chiffon scarves, hand dyed using a process that creates vibrant shades.

For winter, 100% cashmere stoles and scarves complement the collection of cashmere and printed silk shawls, drawing on wide-ranging *savoir-faire*. Likewise, the *Brides de gala* scarf reproduces the emblematic design in a brand new way, with a set of knitted items in the purest tradition of Scottish cashmere. Meanwhile, the *Astro Stripes* and *Madras Pixel* stoles celebrate the *savoir-faire* of weaving and spinning by hand.

1.5.3.2 MEN'S SILK

The woven and knitted ties collections, sober and elegant, forge ahead with creativity and impertinence. Upon opening their jacket, wearers of the 7 cm *Dragon Flash* neck tie in heavy silk reveal a dragon, straight from the imagination of Daisuke Nomura. Embroidery also features on ties that explore various techniques and materials: knitted silk ties embroidered with a stylised horse head, wool ties inspired by men's suits

embroidered with an impetuous pony, and even a luxurious brushed-silk tie embellished with the head of a horse in leather appliqué.

Men's scarves also venture into the realm of dreams. The 100 cm wool and silk *Sweet Dreams* scarf recounts Jan Bajtlik's psychedelic dream with multicoloured fantastical animals drawn in felt tip, evoking the drawing of a child. The autumn-winter collection welcomes a young designer, Maylis Vigouroux, who designed the 100 cm cashmere and silk scarf *Nothing but a dreamer*. This richly detailed drawing illustrates the changing dreams of a young boy, evolving as he grows.

Finally, the scarf collection gives materials, formats and techniques centre stage: a lightweight scarf in Prince-of-Wales check featuring a dinosaur print designed by Alice Shirley; a cashmere scarf adorned with leather horse patches and more; as well as craftsmanship making its presence felt in the form of two scarves woven in Nepal, one dip-dyed by hand and the other woven from leather.

1.5.4 OTHER HERMÈS MÉTIERS

The other Hermès *métiers* include Jewellery, the Art of Living and the Art of Hermès Tableware. In 2019, they generated revenue of €525 million, representing a 20% rise at constant exchange rates and accounting for 7% of the Group's total revenue.

1.5.4.1 JEWELLERY

In 2019, Hermès became a jeweller. In unveiling its first marketing campaign, *Artisan des Lumières*, Hermès began forging its own unique jewellery culture: one that celebrates form and reinvents tradition, flaunting a palette of unique colours: rose gold, brown diamond and black stone, in particular.

The *Black to Light* jewellery collection, unveiled in July, shows off this culture. Pierre Hardy's collection is as radical as it is refined. By merging the beauty of Hermès's heritage forms with the nobility of black stone, the collection tells the great stories of the House in a new light, underscoring their modernity.

1.5.4.2 THE ART OF LIVING AND THE ART OF HERMÈS TABLEWARE

The presentation of the collections at the Milan International Furniture Show was an opportunity for the *métier* to showcase the artistic lines that balance precision of form and richness of colour with the beauty of materials. Drawing particular attention was the House's range of traditional *savoir-faire* and its interaction with technical innovation, in, for example, the granite and porcelain *Halo* and *Hécate* lamps, the *Hippomobile* embroidered cashmere plaids and the *Rubans Casaque* braided leather baskets. The spectacular staging combined local materials with graphic text relating and responding to the collection. This event, which attracted a record number of visitors, significantly boosted the *métier's* outreach.

1.5.5 PERFUMES

In 2019, the Perfumes segment was boosted with the launch of two new arrivals: *Un Jardin sur la Lagune* and *Twilly d'Hermès Eau Poivrée*. This métier generated revenue of €326 million, up by 4% at constant exchange rates, representing 5% of the Group's sales.

In the first half of the year, *Un Jardin sur la Lagune* enriched the collection of Parfums-Jardins, which celebrates the meeting between a place, the annual Hermès theme and the perfumer's inspiration. Christine Nagel's first Parfum-Jardin *Un Jardin sur la Lagune* is a journey across the water to Venice. It tells the story of the largest private garden in Venice, the Giardini Eden. This garden, first dreamed up and then created on the lagoon, cradled by the sea winds, has been captured in a woody fragrance, serene and tender, blending sapphire and pittedosporum, Madonna Lily and magnolia. For the launch, this garden was specially opened to the international press.

In the second half of the year, the women's fragrance collection welcomed a newcomer: *Twilly d'Hermès Eau Poivrée*. An olfactory tapestry entwining three materials: like the first, *Twilly*, revisited and refreshed by Christine Nagel to reveal the zest of the "Hermès girls". Sharp and vibrant pink berry pepper, a heart of rose with all the freshness of adolescence and a racy and mesmerising patchouli create an irreverent and sensual peppery fragrance. A new and different link to *Twilly*, reinforced by its second limited edition: *Charming Twilly*.

These two new additions complemented the vitality of the men's collection. An entirely new marketing campaign for the key fragrance line *Terre d'Hermès* was launched, expressing a respectful, profound and authentic relationship between man and the earth through the new concept *L'eau de la terre*.

1.5.6 WATCHES

With consolidated revenue of €193 million in 2019, the Watch division represents 3% of Group sales.

A genuine watchmaker employing over 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.

In 2019, for the third consecutive year, the network of Hermès stores saw strong growth in watch sales, particularly across all the Asian markets. At the same time, Hermès continued to rein in the number of "external" watch retailers, to make its distribution even more selective.

In January, for its second participation in Geneva's Salon International de la Haute Horlogerie (SIHH), Hermès once again forcefully expressed 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 seek to control. The advertising campaign "*Time*,

an Hermès Object" illustrates this message, with the innovative digital campaign run in the autumn to share "time differences" between talented artists and Instagrammers.

2019 was also distinguished by two major launches that caught the imagination, attracted the attention of the press and specialists alike and seduced a great many customers: the *Galop d'Hermès* watch enhanced the women's collection and *Arceau* watch "*L'heure de la lune*" was the most talked-about complication timepiece in the men's collection.

The *Galop d'Hermès* line is the fruit of a collaboration between Hermès and young American designer Ini Archibong, renowned in the world of design objects and lights. Drawing inspiration from the House's harness collections, he designed a contemporary watch with aerodynamic curves that plays with light. A watch that is feminine, elegant and determined all at once, like the woman for whom it is designed. Since its launch in the middle of the year, this line has achieved growing success across markets worldwide.

The *Arceau* "*L'heure de la lune*" watch offers a quirky take on the classic "moon-phase" complication. Wishing to restore this celestial body to its central place in the dial, Hermès made it the "main character" of the piece, while offering a unique perspective: the classical functions – hour, minute, date – become the satellites, gravitating above two fixed representations of the Moon, seen from both the northern and southern hemispheres. The latter is adorned with an image of a mischievous Pegasus. This new Hermès complication was hailed by many specialists and received the Grand Prix de l'Horlogerie de Genève (GPHG) horology prize in November in the "calendars and astronomy" category.

Sales in the network of 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. The *Cape Cod* family was expanded with new models introduced throughout the year: they enabled admirers of the range to discover the more luxurious, technically innovative and occasionally bejewelled expressions of this line, which is both graphical and brimming with poetry.

The collection of "exceptional pieces" developed by Hermès confirmed its success once again, using its art métiers to create jewellery watches (*Faubourg*, *Klikti*, *Arceau*, *Médor*, etc.), which showcase the House's *savoir-faire* in jewellery through original designs.

1.5.7 OTHER PRODUCTS AND BRANDS

In 2019, Other Products generated revenue of €258 million, representing a 7% rise at constant exchange rates and accounting for 3% of the Group's total revenue.

1.5.7.1 CRISTALLERIE SAINT-LOUIS

Saint-Louis continues to give priority to the development of lighting by leveraging two strengths, i.e. semi-bespoke and bespoke, and by diversifying the types of lighting with a modular system, chandeliers of different sizes and a portable lamp, in order to meet all needs.

This approach was illustrated in particular in 2019 through new creations of the *Folia* collection, designed by Noé Duchaufour-Lawrance. This global art of living depicted through crystal glassworks has been presented at a number of international trade shows, including EuroLuce, Milan, where Saint-Louis displayed its lighting in the Fiera, and, for the first time, in the heart of the city in the Brera district, where open days and festive meetings were organised for the international press, distributors and special guests. Cristallerie Saint-Louis also participated in the Shanghai Design Fair and the ICFF trade fairs in New York and Downtown Design in Dubai. The opening of three new points of sale in Kazakhstan, in Shanghai and New Delhi is part of its international expansion.

In parallel, the gift offering has been enriched with small lights, decorations, glasses sold as single pieces or in gift boxes, exceptional pieces, and a new category of products has been added: games, combining usage and decoration. Unique pieces of the *Comète* collection, sculpted by the Meilleurs Ouvriers de France from the Cristallerie, were part of a travelling exhibition in six countries during the year. The “Prestige” version of the *Jeu d'échec*, in limited edition of 28 numbered copies, is in itself an exception item. This gift offering is also enriched through exclusive and local collaborations, such as the *Galerie des Rois* gift box developed with the château of Versailles and the *Midnight Supper* gift box created with St. Regis New York hotel.

1.5.7.2 PUIFORCAT

In 2019, the silversmith Puiforcat continued to enrich its contemporary offering revolving around gastronomy and usage by unveiling *Granville*, a collection of spice mills with sleek, architectural contours, bringing together cooking and dining. The *Couteaux d'Orfèvre* collection, developed a few years ago in partnership with Michelin-starred chef Pierre Gagnaire, has been revived with a new finish in wood and the addition of knives specifically designed for cheese tasting.

To present these pieces to the press, influencers and its customers, the House designed an original concept in the form of a tasting session which perfectly illustrated the usage function of its creations. Organised successively in Paris, New York and Shanghai, in partnership with local chefs and cooks, guests could touch and feel these creations over a meal while sharing their experience on social media.

The opening of a new point of sale in Almaty in Kazakhstan, in partnership with Cristallerie Saint-Louis, and the refurbishment of the Puiforcat space in Harrods in London, were other key events of the year. The Paris store was in the spotlight when Puiforcat's Art Déco heritage was showcased during the Modern Maharaja exhibition at the Musée des Arts Décoratifs. A key event which brought together prescribers, architects and home decorators.

At the workshop, the team conducted a number of projects throughout the year aiming in particular to perpetuate *savoir-faire* and to optimise the logistics division. Various actions relating to the restructuring of the workshop, industrial investments and better quality control have been initiated in order to perpetuate Puiforcat's long-standing reputation of excellence.

1.5.7.3 BOOTMAKER JOHN LOBB

In 2019, John Lobb focused on its new strategy of going back to basics, which put simply is as follows: John Lobb is a maker of high quality British shoes for formal wear and for men.

This strategy is implemented by showcasing the timeless classics such as *William*, *Lopez* and *City*, in collections, in stores and in communication campaigns. The new communication material shows shoes worn in everyday life in cities.

The bespoke workshop located on rue de Mogador, in Paris, has expanded beyond its usual boundaries to set up in an immaculate space in Soho, New York. Four craftsmen have, for the first time, showcased their exceptional footwear *savoir-faire* to curious and passionate customers.

1.5.7.4 TEXTILES

Holding Textile Hermès groups together and coordinates under one structure all *savoir-faire* relating to textile production: from creation to sewing, encompassing weaving, engraving, printing, dyeing and finishing.

It serves the Group's different *métiers*, as well as external markets such as clothing and interior decoration, in particular with the brands Bucol, Créations Métaphores, Verel de Belval and Le Crin.

2019 was marked by the consolidation of Silk and Textiles sales, and the continued growth of business generated from other Hermès divisions.

At the operational level, this year also saw an increase in printing capacity, the active management of skills and the start of construction of new buildings.

1.5.7.5 TANNING AND PRECIOUS LEATHERS

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

In 2019, as in previous years, the high-end market saw sustained demand for exotic hides and calfskin, in particular for leather goods and shoes. As a result, the division has witnessed an increase in volume, both from the House itself and from certain players in the luxury sector.

This year, the tanning division launched its new website, promoting its exotic leather ranges, and revamped the websites of its two calfskin tanneries.

More specifically, the calfskin sector further intensified its reorganisation and the development of synergies within the division. It also continued its initiatives for improving the quality of supply chains and tanning processes, and for the development of materials for Maison Hermès. Demand for *Togo* and *Grain Madame* calfskins thus increased, and the division witnessed growth in respect of smooth *Box* leather for belts. The calfskin sector is accordingly continuing to develop to serve the House. It is also expanding in the leather goods segment in its other markets, with new collections that have met with increasing interest from its customers. Furthermore, the Tanneries du Puy has kicked off its ambitious refurbishment programme, which will be conducted over the next five years.

The exotic skins segment, significantly improved the quality of its supplies of crocodilian skins, in particular the *Porosus*, reaping the benefits of several years of investments and perfecting its *savoir-faire*. An initiative for optimising the use of materials also bore fruits in 2019 through joint team work with the Group's craftsmanship division leading to substantial growth in certain lines of products and the strong comeback of finishings such as the *Himalaya* crocodile. The Cuneo tannery successfully launched a skin trimming activity. The segment has also finalised the industrialisation of its "chrome-free" finishings in all European exotic skin tanneries and complemented its offering in these materials. The significant growth in the sale of lizard skins during the financial year is also worthy of note.

The Tanneries division undertakes to offer the best guarantees of a responsible organisation in line with Hermès's ethical and sustainable development values. Hence, it only sells exotic skins where the source is perfectly traced and audited, and refrains from dealing in certain species or sectors, if necessary. As regards 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 animal welfare, and by focusing on innovation, creativity and excellence in its sectors.

1.5.7.6 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, technicity 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 or yachts are written, but also, on occasion, unexpected objects such as jukeboxes, surfboards, canoes or aircraft interiors.

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*.

1.5.7.7 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 an array of 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 of the craftsmen and women in its workshop, petit h creates unexpected objects while using resources destined to be excluded from production.

This singular creative approach finds its resonance in original and inventive distribution, off the beaten path, with sales that are experiences in themselves. Thus in 2019, petit h took to the road as it does each year to meet Hermès customers all over the world, with two pop-up sales.

In spring, the Chengdu store in China was home to a leather family of pandas, the city's animal symbol, in a setting of light made in paper, cartons and bamboo inspired by the warm alleyways of the historic district.

In late November, in the garden city of Singapore, customers were invited to discover "Planet petit h". Over two floors with contrasting worlds, with a mineral landscape providing the backdrop to organic forms and a futuristic capsule surrounded by lush vegetation, characteristic of Singapore, visitors were treated to a fun encounter with one-of-a-kind creations.

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.

1.5.7.8 SHANG XIA

In 2019, Shang Xia celebrated its 10th anniversary, a milestone for this house which revitalizes traditional Chinese culture while bringing innovations.

During the year, Shang Xia launched new collections, presented brand events and enhanced its global recognition. Exploring the themes of life, vitality and revival, Shang Xia created a series of new products reflecting a more playful, more youthful and more dynamic approach. Like the *Da Tian Di Mahjong* Table, *Treasure* boccaro teapots, the *Lan Yue* bamboo weaving handbag, or simply a metal box or a carbon fibre table.

In August, the first Shang Xia store opened in Shenzhen in MixC Mall, exhibiting works combining traditional craftsmanship and contemporary aesthetic. Following the *Musée des arts décoratifs* in Paris, the *musée Guimet* and the British Museum, London's Victoria and Albert Museum welcomed to its permanent collections an iconic piece from Shang Xia, the *Lan Yue* handbag in woven bamboo. The museum has also decided to include other creations in the future.

In October, on the occasion of its 10th anniversary, Shang Xia displayed its contemporary design collection in Shanghai and Beijing, to seize the finest essence of life and pursue the art of living.

1.5.8 PARTNERSHIPS

1.5.8.1 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.

1.5.8.2 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.

1.5.8.3 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.

1.5.8.4 VAUCHER MANUFACTURE FLEURIER

La Montre Hermès holds a 25% share in the capital of Vaucher, the traditional 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.

1.5.8.5 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.

1.5.8.6 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 company directed by Mr Pierre Hardy, its founder and Artistic Director.

AFR 1.6 ACTIVITY BY GEOGRAPHIC AREA

	2019		2018		Changes	
	Revenue in millions of euros	2019 mix in%	Revenue in millions of euros	2018 mix in%	At current exchange rates	At constant exchange rates
Europe	2,069	30%	1,909	32%	8.4%	8.1%
♦ France	867	13%	802	13%	8.1%	8.1%
♦ Europe (excl. France)	1,202	17%	1,106	19%	8.6%	8.1%
Asia-Pacific	3,454	51%	2,891	49%	19.5%	15.3%
♦ Japan	864	13%	748	13%	15.5%	8.2%
♦ Asia-Pacific (excluding Japan)	2,590	38%	2,142	36%	20.9%	17.8%
Americas	1,241	18%	1,059	18%	17.2%	12.0%
Other	120	1%	108	1%	11.0%	10.9%
CONSOLIDATED REVENUE	6,883	100%	5,966	100%	15.4%	12.4%

1.6.1 EUROPE

In France, the Montpellier store reopened in October following refurbishment. Located on rue Jacques Cœur, in the historical centre of the city, in the vicinity of the place de la Comédie, this store created in 1989 has been entirely redesigned and refurbished. An atypical building offering an intimate atmosphere, it displays all of the House's *métiers* over two floors.

In Paris, ready-to-wear collections are back to mythical venues for their seasonal fashion shows: the Garde Républicaine and the Tennis Club de Paris for women's fashion, while the Mobilier National lent its prestigious setting and inner courtyard to the men's collections.

The year was marked by the tenth edition of the Saut Hermès, organised in March at the Grand Palais. Created in 2010, this high level sports event brings together the world's top 50 riders and 20 international young hopefuls competing in the CSI 5* international show jumping classes, the highest category of the International Equestrian Federation (FEI). This edition was celebrated in grand style, giving all its meaning to the annual theme of dreams. It was an opportunity for the 16,000 spectators to discover the new Hermès Vivace jumping saddle, enjoy the show created by the equestrian artist Lorenzo accompanied by a string orchestra, and fly through the Grand Palais thanks to a unique virtual reality experience.

In July, the Faubourg Saint-Honoré store hosted the presentation of Hermès's new jewellery collection, *Black to Light*. The collection uses black as "revealer of light" and yet again pushes back the boundaries of the House's *savoir-faire* in jewellery. Transformed by combining the intensity of black gemstones, black spinel and jade with the femininity of rose gold, iconic items of Hermès jewellery appear in a new light.

At the end of the year, the Carré Club Hermès stopped over in Paris, at the Carreau du Temple, after a round-the-world tour. On this occasion, the mobile pop-up store adopted a novel format, with several interactive spaces at the disposal of visitors to meet designers, discover the history of the scarf, try their hands at scarf draping and acquire limited editions specific to the event.

In the Netherlands, the Amsterdam store relocated in May to Pieter Cornelisz Hooftstraat, not far from its first store in 2006. Behind its spectacular façade in transparent glass bricks, as a tribute to the city's historical façades, this new store is more spacious, bathed in light, and spreads across two floors and a mezzanine.

In Russia, the store set up in 2001 on rue Stolesnikov, in the city's historical centre, reopened in June, having been redesigned and refurbished. With its façade in typical architectural style and its interior arranged in small cosy lounges and comfortable alcoves, this store is reminiscent of a warm and welcoming Muscovite home.

Hermès has extended its presence in Central Europe with two new openings. In July, the store in Prague, in the Czech Republic, reopened having doubled its sales area and now consists of two floors, one of which is an vaulted ceiling basement. In November, Hermès inaugurated its very first store in Poland, asserting its links with this country with a deep-rooted equestrian culture. Located in the heart of Warsaw, the store covers an area of over 260 m² on the ground floor of the iconic

hotel *Europejski*, a neoclassical building which has recently been meticulously restored.

In Spain, the store in Marbella, one of the most sought-after tourist destinations in Europe, reopened just before summer. Located in the Puerto Banús marina, the two-storeyed building has been renovated in contemporary style.

In Germany, Hermès opened a store in September in Stuttgart, by taking over the concession granted to the department store Breuninger 12 years ago. Set up on Stiftstrasse, a shopping street just five minutes' walk from its previous location, this new store covers an area of more than 365 m² on the ground floor of a Bauhaus-style building.

In Italy, the city of Venice served as the backdrop to the launch of the perfume *Un jardin sur la lagune*, in February. This was an opportunity for guests to visit the Giardino Eden, the largest private garden in Venice, exceptionally opened for the occasion.

Other events have also marked the year. In March in London, *Step into the frame* celebrated the men's ready-to-wear spring-summer collection over an evening of creative and festive discovery. *Hermès at Work*, the travelling festival showcasing Hermès's *savoir-faire*, enabled the public to meet the House's craftsmen in Milan in March, and in Stuttgart in November. In April, the new Home collections were presented at the International Furniture Fair in Milan. Lastly, the pop-up store Silk Mix dedicated to men's silk, stopped in Milan in November.

1.6.2 AMERICAS

In the U.S., the number of Hermès stores has reached 36 after the addition of two new addresses. On 1 March 2019, a store covering over 380 m² opened at the Mall at Millenia in the tourist city of Orlando, in Florida. Divided into three asymmetrical spaces, this building's façade is decorated with green glazed ceramics, reminiscent of the tropical vegetation of Florida, and its contemporary architecture gives pride of place to natural materials. In April, a new store opened on Gansevoort Street in New York, near the High Line. In a listed building, typical of the industrial style of this Meatpacking district, this two-storeyed building of 500 m² confirms the buoyancy of the North-American market.

The Waikiki store, in Honolulu (Hawaii), reopened in April after its renovation and expansion. Located in the Royal Hawaiian Centre, behind bold architectural façades blending metal screen walls and plant-covered walls, it now occupies three floors covering 780 m², making it the fourth largest Hermès store in the U.S.

Hermès also confirmed its development on the west coast, through the expansion of the San Francisco store, in California. Reopened in November, the store now occupies three floors in the listed building on Grant Avenue where it was established in 2003. With this additional floor, the total area is now almost 995 m².

In Canada, the Vancouver store has moved a short distance away to occupy the corner of Burrard Street and West Georgia Street. Its façade in white terrazzo echoes the city's architectural style, while the interiors, all in natural materials and with a light harmonious choice of colours, are reminiscent of the forest and the ocean. It covers two floors and an area of 450 m².

In Mexico, the store set up since 1993 on Avenida Presidente Masaryk, in the heart of Polanco, one of the most prestigious neighbourhoods of Mexico, has been completely renovated. It reopened in July over three refurbished floors, benefiting from abundant daylight and warm colours.

One of the key events in North America was the exhibition of fine jewellery, *Enchaînements libres*, which stopped in New York in September. This virtuoso collection showcases multiple variations designed by Pierre Hardy around the theme of the Chain, the key motif of Hermès' jewellery. In October, the pop-up store Silk Mix crossed another milestone on its journey round the world by presenting the men's silk collections in Mexico.

1.6.3 ASIA-PACIFIC

In China, the 26th store opened in July in Xiamen, an international port in the province of Fujian in the department store MixC. This store covering an area of 270 m² offers a warm and serene atmosphere, inspired by the traditional circular houses of Fujian. In the province of Shandong, the store created in 2008 in Hisense Plaza, in Qingdao, reopened in December following its expansion and refurbishment. With a new façade in terracotta tiles, reminiscent of traditional Chinese roofs, the store now covers an area of 320 m².

In Thailand, Hermès opened a store in March in Phuket, an internationally renowned tourist destination, in the brand new commercial centre Central Phuket Floresta. The area of 190 m² designed using natural and local materials, enjoys a double exposure inside and outside the commercial centre. This creation, which confirms Hermès's footing in the Thai market, was followed in October by the reopening of the store located since 2006 at the heart of the commercial district of Siam Paragon, in Bangkok. Fully renovated, it occupies an area of 280 m² in a serene and intimate ambiance, contrasting with the surrounding hustle and bustle.

In Japan, three stores were refurbished during the year. In July, the store located in the Iwataya commercial centre, in Fukuoka, re-opened to reveal a larger floor space, with painted wooden clad walls. In August, the Mitsukoshi Nihombashi store in Tokyo revealed its new façade and refurbished interiors, styled using traditional Japanese designs with a new twist. Lastly, the store located on the third floor of the Sogo commercial centre in Chiba reopened in November, with a large doorless entrance – an invitation to walk in and explore its completely transformed interiors. The June launch of the new version of the e-commerce platform in Japan saw an increase in online sales.

A number of events and attractions were organised throughout the year. In May, the Carré Club Hermès, a pop-up store designed by Bali Barret, Artistic Director of women's Silk collections, came to meet customers at the Hangzhou store in China. An interactive and memorable experience, immersing visitors in the creative universe of the scarf.

Two stores in China hosted the travelling festival *Hermès at Work*, dedicated to craftsmanship. In Xiamen in July and in Xi'An in August, visitors had the opportunity to discover the *savoir-faire* of craftsmen representing six Home *métiers*, and discuss with them.

True to its nomadic character, petit h organised two pop-up sales, one in Chengdu, China, in May and the other in Singapore in November, in each case creating a surprising universe inspired by local history.

The fine jewellery collection *Enchaînements libres* continued to move around, with no fewer than four stopovers in Asia between July and November: Tokyo, Taiwan, Shanghai and Hong Kong.

The *Hermès Héritage* worldwide cycle of touring exhibitions, which retraces the history of the House through iconic creations, added two new chapters. *Hermès Héritage In Motion*, depicting the theme of travel and mobility, key notions in the development of Hermès products, was presented in Busan, China in spring, then in May at the Liat Towers of Singapore and in October in Hanoi. The opus *Hermès Héritage Rouges Hermès*, dedicated to the colour red and now a true House signature, visited Bangkok in October and New Delhi in December.

In South Korea in November, the Seoul Museum of Art provided a prestigious backdrop for staging *Walk the line*, the first men's fashion event presented by Hermès in Seoul. Designed by Véronique Nichanian, Artistic Director of Hermès' Men's Universe, this show presented the autumn-winter collection through various spaces and animations combining creative experience, virtual reality and traditional *savoir-faire*.

In December, residents of Seoul also discovered the new look of the Hyundai Apkujung store, present since 1999. Completely transformed following its renovation, the store's space has increased to over 310 m² with an additional floor.

The annual theme "In the pursuit of dreams" inspired a unique exhibition in Japan, in November. The north tower in Roppongi Hills, Tokyo, hosted this event named *Yume no Katachi* ("The Shape of Dreams" in Japanese) and dedicated to bespoke designs: a selection of exceptional items made to special order, both surprising and poetic, showcased Hermès's ability to bring its customers' dreams to life.

Lastly, the pop-up and travelling store Silk Mix, which presents men's Silk collections inspired by the fun atmosphere of a vinyl record stores, reached Taiwan in April, after stopping by Melbourne, Australia and Dubai in the United Arab Emirates.

1.6.4 HERMÈS POINTS OF SALE WORLDWIDE

Hermès objects are available worldwide through a network of 311 exclusive stores. Hermès watches, perfumes and tableware are also sold through networks of specialised stores. The branches are located in the following geographical areas: 73 in Europe (including 14 in France), 45 in the Americas (including 29 in the US), 98 in Asia (including 31 in Japan), and 7 in Oceania.

Europe

Germany: 15

10 branches:

- ◆ Baden-Baden
- ◆ Berlin KaDeWe
- ◆ Berlin Kurfürstendamm
- ◆ Cologne
- ◆ Düsseldorf
- ◆ Frankfurt
- ◆ Hamburg
- ◆ Munich
- ◆ Nuremberg
- ◆ Stuttgart

5 concessionaires

Austria: 2

2 concessionaires

Belgium: 3

3 branches:

- ◆ Antwerp
- ◆ Brussels
- ◆ Knokke-le-Zoute

Denmark: 2

1 branch:

- ◆ Copenhagen
- 1 concessionaire

Spain: 5

5 branches:

- ◆ Barcelona Diagonal
- ◆ Barcelona Paseo de Gracia
- ◆ Madrid Castellana
- ◆ Madrid Ortega y Gasset
- ◆ Marbella

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

United Kingdom: 9

7 branches:

- ◆ Glasgow
- ◆ London Bond Street
- ◆ London Harrods
- ◆ London Royal Exchange
- ◆ London Selfridges
- ◆ London Sloane Street
- ◆ Manchester

2 concessionaires

Greece: 1

1 branch:

- ◆ Athens

Ireland: 1

1 branch:

- ◆ Dublin

Italy: 15

11 branches:

- ◆ Bologna
- ◆ Capri
- ◆ Florence
- ◆ Milan
- ◆ Naples
- ◆ Padua
- ◆ Palermo
- ◆ Porto Cervo
- ◆ Rome
- ◆ Turin
- ◆ Venice

4 concessionaires

Luxembourg: 1

1 concessionaire

Norway: 1

1 concessionaire

Netherlands: 3

2 branches:

- ◆ Amsterdam De Bijenkorf

- ◆ Amsterdam P.C. Hooftstraat
- 1 concessionaire

Poland: 1

1 branch:

- ◆ Warsaw

Portugal: 1

1 branch:

- ◆ Lisbon

Principality of Monaco: 1

1 branch:

- ◆ Monte Carlo

Czech Republic: 1

1 branch:

- ◆ Prague

Russia: 2

2 branches:

- ◆ Moscow Gum
- ◆ Moscow Stoleshnikov

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

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 concessionaire

Caribbean: 1

1 branch:

- ◆ Saint-Barthélemy

Chile: 1

1 concessionaire

USA: 36

29 branches:

- ◆ Atlanta
- ◆ Bergen County
- ◆ Beverly Hills
- ◆ Boston
- ◆ Chicago
- ◆ Dallas
- ◆ Denver
- ◆ Greenwich
- ◆ Hawaii Ala Moana
- ◆ Hawaii Waikiki
- ◆ Houston
- ◆ Las Vegas Bellagio
- ◆ Las Vegas Crystals
- ◆ Las Vegas Wynn
- ◆ Miami
- ◆ New York Madison
- ◆ New York Meatpacking
- ◆ New York Men on Madison
- ◆ New York Wall Street

- ◆ Orlando
 - ◆ Palm Beach
 - ◆ Palo Alto
 - ◆ Philadelphia King of Prussia
 - ◆ San Diego
 - ◆ San Francisco
 - ◆ Seattle
 - ◆ Short Hills
 - ◆ South Coast Plaza
 - ◆ Washington
- 7 concessionaires

Mexico: 7

7 branches:

- ◆ Cancùn
- ◆ Mexico Artz
- ◆ Mexico Guadalajara
- ◆ Mexico Masaryk
- ◆ Mexico Moliere
- ◆ Mexico Monterrey
- ◆ Mexico Santa Fe

Panama: 1

1 concessionaire

Asia

Mainland China: 28

26 branches:

- ◆ Beijing China World
 - ◆ Beijing ParkLife
 - ◆ Beijing Peninsula
 - ◆ Beijing ShinKong
 - ◆ Changsha
 - ◆ Chengdu
 - ◆ Chongqing
 - ◆ Dalian
 - ◆ Guangzhou La Perle
 - ◆ Guangzhou Taikoo Hui
 - ◆ Hangzhou Hubin
 - ◆ Hangzhou Tower
 - ◆ Harbin
 - ◆ Kunming
 - ◆ Nanjing
 - ◆ Ningbo
 - ◆ Qingdao
 - ◆ Shanghai IFC
 - ◆ Shanghai Maison
 - ◆ Shanghai Plaza 66
 - ◆ Shenyang
 - ◆ Shenzhen
 - ◆ Suzhou
 - ◆ Wuhan
 - ◆ Xi'An
 - ◆ Xiamen
- 2 concessionaires

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

Macao: 4

4 branches:

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

Taiwan: 9

6 branches:

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

South Korea: 19

10 branches:

- ◆ Busan
 - ◆ 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

India: 2

2 branches:

- ◆ Mumbai
- ◆ New Delhi

Indonesia: 2

2 concessionaires

Japan: 38

31 branches:

- ◆ Chiba
- ◆ Fukuoka Hakata Hankyu
- ◆ Fukuoka Iwataya

- ◆ Hiroshima
- ◆ Kobe
- ◆ Kyoto
- ◆ Nagoya JR Takashimaya
- ◆ Nagoya Matsuzakaya
- ◆ Nagoya Mitsukoshi
- ◆ Nigata
- ◆ Okayama
- ◆ Osaka Hilton
- ◆ Osaka Midosuji
- ◆ Osaka Takashimaya
- ◆ Osaka Umeda Hankyu
- ◆ Sapporo
- ◆ Sendai
- ◆ 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
 - ◆ Tokyo Tachikawa Isetan
 - ◆ Urawa
 - ◆ Yokohama Sogo
 - ◆ Yokohama Takashimaya
- 7 concessionnaires

Kazakhstan: 1

1 concessionnaire

Malaysia: 3

2 branches:

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

Philippines: 1

1 concessionnaire

Singapore: 6

- ◆ 6 branches:
- ◆ Singapore Changi Airport T1
- ◆ Singapore Changi Airport T2
- ◆ Singapore Changi Airport T3
- ◆ Singapore Liat Tower
- ◆ Singapore Marina Bay Sands
- ◆ Singapore Takashimaya

Thailand: 5

4 branches:

- ◆ Bangkok Central Embassy
 - ◆ Bangkok Icon Siam
 - ◆ Bangkok Siam Paragon
 - ◆ Phuket
- 1 concessionnaire

Vietnam: 2

2 concessionnaires

Middle East

Bahrain: 1

1 concessionnaire

United Arab Emirates: 5

5 concessionnaires

Kuwait: 1

1 concessionnaire

Lebanon: 1

1 concessionnaire

Qatar: 2

2 concessionnaires

Oceania

Australia: 6

5 branches:

- ◆ Brisbane
 - ◆ Gold Coast Pacific Fair
 - ◆ Melbourne Chadstone
 - ◆ Melbourne Collins Street
 - ◆ Sydney
- 1 concessionnaire

Guam: 1

1 branch:

Saipan: 1

1 branch:

1.6.5 DIGITAL STRATEGY

The new digital platform Hermes.com was rolled out this year in Japan, Singapore and Malaysia. It now covers 25 countries. The highest online sales were generated in the U.S. and China.

The digital flagship is now positioned among the best stores of the group and ranks first in numerous categories of products such as fashion accessories, perfume, tableware and shoes. Traffic is growing rapidly and mobile use now represents three quarters of total traffic. The offer available online is growing every year.

This platform represents both a showcase for the group and an attractive store.

Through Hermes.com, the House can capture new customers who come to discover its various universes and then buy its products either online or in-store.

In this regard, omni-channel services are at the heart of the House's challenges. In Canada, Hermès is testing two new services that enable customers to discover online products that are only sold in-store and reserve them in the store of their choice. These services will be rolled out gradually from 2020.


1.7 SIMPLIFIED GROUP ORGANISATIONAL CHART

1

1.7.1 SUMMARY DESCRIPTION OF THE GROUP AS AT 31 DECEMBER 2019

HERMÈS INTERNATIONAL



HERMÈS BRAND				
<div> HERMÈS PARIS</div>				
RETAIL			WHOLESALE PRODUCTION AND DISTRIBUTION	PRODUCTION
<ul style="list-style-type: none">• Argentina• Australia• Belgium• Brazil• Canada• China, Hong Kong, Taiwan• Czech Republic• Denmark• France	<ul style="list-style-type: none">• Germany• Greece• Guam• India• Italy• Japan• Malaysia• Mexico• Poland• Portugal	<ul style="list-style-type: none">• Principality of Monaco• Russia• Singapore• South Korea• Spain• Switzerland• Thailand• Turkey• United Kingdom• USA	<ul style="list-style-type: none">• Perfumes division• Watches division• Home division	<ul style="list-style-type: none">• Leather Goods division• Tanning and Precious Leathers division• Textile division
				BESPOKE DESIGN
			<ul style="list-style-type: none">• Petit h	<ul style="list-style-type: none">• Hermès Horizons
OTHER BRANDS				
<ul style="list-style-type: none">• John Lobb shoes	<ul style="list-style-type: none">• Cristalleries Saint-Louis	<ul style="list-style-type: none">• Puiforcat	<ul style="list-style-type: none">• Shang Xia	
<ul style="list-style-type: none">• Créations Métaphores¹	<ul style="list-style-type: none">• Verel de Belval¹	<ul style="list-style-type: none">• Bucol¹	<ul style="list-style-type: none">• Le Crin¹	

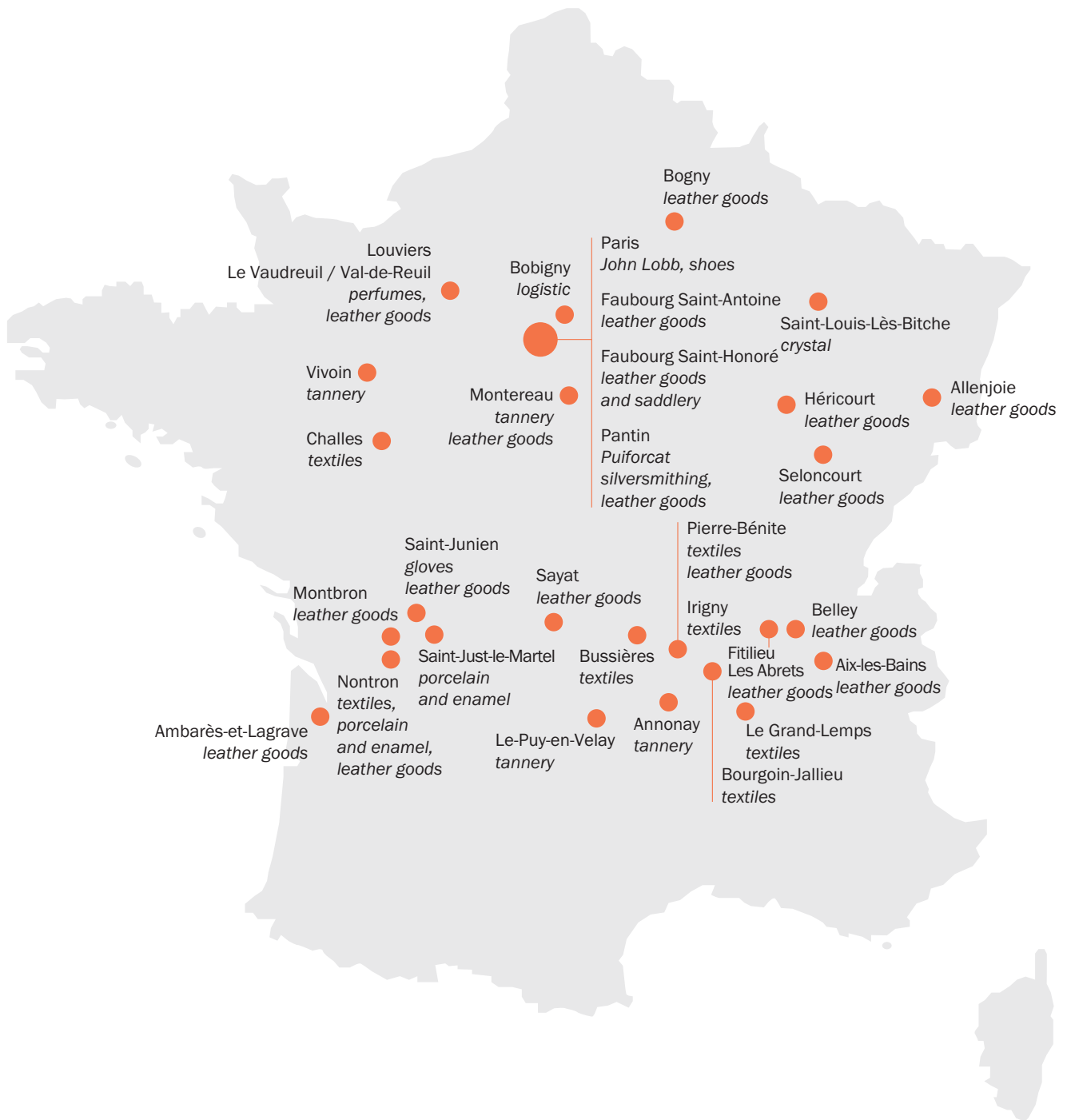
(1) Furnishing fabrics

The main consolidated companies as at 31 December 2019 (distribution subsidiaries and holding companies of the divisions) are listed in Note 35 of the consolidated financial statements.

1.7.2 PRODUCTION FACILITIES

The Hermès Group operates 55 production sites, including 43 in France. The Group also operates production sites in Switzerland, The United States, Australia, Italy and the United Kingdom.

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



1.8 CONSTRUCTION

In Paris, the Group now occupies office space of approximately 30,000 m² 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 2019, the Group signed a commercial lease for a new, entirely redesigned office building located on rue de Penthièvre, with a surface area of about 8,200 m².

In Bobigny, the Group owns its logistics site, with a total surface area of approximately 31,000 m².

In Pantin, Hermès occupies 80,150 m² of manufacturing premises and office space, most of which is owned by the Group, 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. In 2019, the Group signed a commercial lease for a new, entirely redesigned office building in Pré-Saint-Gervais, giving an additional surface area of 6,600 m².

The Group is the owner of 48 of the 55 production units that it operates (please refer to page 36 for a complete list). In 2019, a new leather workshop, which includes a training school, was inaugurated in Fitiellieu, in Isère.

Hermès products are sold worldwide through 311 exclusive stores (a complete list is provided on pages 31 to 33). Of the 311 exclusive Hermès retail stores, 223 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. In August 2019, the Group acquired the building of its future flagship store in Sydney where work is currently under way. In London, the Group also owns a commercial and office building purchased in 2009 and leased to an external tenant.

1.9 FONDATION D'ENTREPRISE

Having passed the 10-year milestone in 2018, the Foundation proved itself to be fully engaged in 2019 on its third mandate, with the renewed confidence of the House's senior executives. Backed by a decade of actions, support and production initiatives, it now enjoys full recognition, giving it a pivotal role in social, cultural, and environmental sponsorship in France. This is a role it is keen to assume quietly: not tied to a specific place of operation, it works pro-actively *in situ*, alongside its beneficiaries focusing on the precise needs of each project. In this, the Foundation further upholds the humanist values of Hermès, paying special attention to the world around it and the fulfilment of everyone through public interest initiatives. At the same time, it takes ownership, in the name of the House, of the bold choices made and sets itself to its task with conviction, whether this implies demanding creative efforts or societal causes of clear urgency.

In 2019, it was a natural move for the Foundation to be more in touch with society, and work with those who are active on the ground. For this purpose, programmes have been intensified, such as its work for the preservation of biodiversity and ecosystems. In addition to its continued support for WWF France, the Foundation is now assisting two major projects on which it can take effective action at two levels: Atelier Paysan, to support operators in the agro-ecology sector in designing environmentally friendly tools, and Vigie-Nature École, a project for the Muséum National d'Histoire Naturelle, involving data collection for researchers and awareness creation among young people about the fragility of the living species around us. It is this same concern for efficiency that led the Foundation to launch, as part of the Artists in the Community, a scholarship scheme for students enrolled on a higher

education course in dance or theatre so that they can pursue their studies in better living conditions. Another example is Manufacto, the Skills Factory, in partnership with the Paris education board and the Compagnons du Devoir et du Tour de France, being rolled out in France to increase awareness of pupils of craftsmanship *métiers*, and extending to rural areas. Whether the objective is to protect the future of our planet or to ensure the fulfilment of everyone, it is more important than ever to act now and in a targeted manner for future generations.

In order to align our actions with the needs of beneficiaries, the Foundation assisted other existing programmes that have gained momentum this year.

H³ – Heart, Head, Hand, a programme conducted in-house, has just started its third year enriched by new projects that demonstrate the increasing and collective mobilisation of staff on public interest projects, of which they make the Foundation aware through this programme. Based on the exchange of cross-cutting and forward-looking knowledge, the Skills Academy has expanded its activities, both for a wide, resolutely loyal audience (with an additional morning meeting plus side events), and for academics. This year, 23 craftsmen, designers and engineers were present to brainstorm on the theme of textiles under an enhanced format with more discussion time, visits and a workshop over several sessions to go even further in this collective reflection. A strong impetus was also given to Immersion, a French-American photography commission, thanks to the partnership developed this year with the San Francisco Museum of Art (SFMOMA) and Fondation Henri Cartier-Bresson. Winners are now given the opportunity to display their photographs at an exhibition in each

of the two institutions, giving them significant visibility both in France and in the US.

Well-known in the world of visual and performing arts, the other Artists Residencies, Exhibitions and New Settings programmes remain unchanged. All three offer support, in different ways, to essential creation in the form of production assistance. This is a unique feature of the Foundation's work: to act proactively, offering artists the best creative conditions and supporting them over the long term. In other words, to be truly engaged alongside those who actually create the works.

All of these actions illustrate the Foundation's ability to adapt to the needs of its beneficiaries and to provide appropriate solutions to meet

these needs. With nine programmes established, it is taking its place as a dynamic sponsorship vehicle, ready to adapt to the realities of the modern world. In 2019, an intense and busy year, we continued to focus on the need for high quality philanthropic initiatives, by acting with altruism, with an open mind and in favour of future generations, continuously driven by the same conviction: "Our gestures define us". More than ever, they help us move forward and make us better.

The full report on the activities of the Fondation d'entreprise Hermès is available at: www.fondationdentreprisehermes.org, in "The Foundation" section.

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1.10 SIGNIFICANT EVENT SINCE THE LAST FINANCIAL YEAR

The emergence of the Covid-19 epidemic in January 2020 has heightened uncertainties surrounding the global economic environment and markets.

It is difficult to assess its impacts on the Hermès Group at this stage. These will depend on the scale, the length and geographic scope of its development, and on the measures taken by the countries affected. We are doing everything we can to ensure the safety of Hermès employees in countries affected by this health crisis.

Hermès's craftsmanship model, set up mainly on French territory, combined with its well-balanced geographic distribution network and its local customer base are some of the factors contributing to the House's resilience. The Group remains very attentive and engaged, assessing the situation on a daily basis and adapting its measures. In particular, it has set up a monitoring unit and adopted safety measures.

1.11 RISK FACTORS

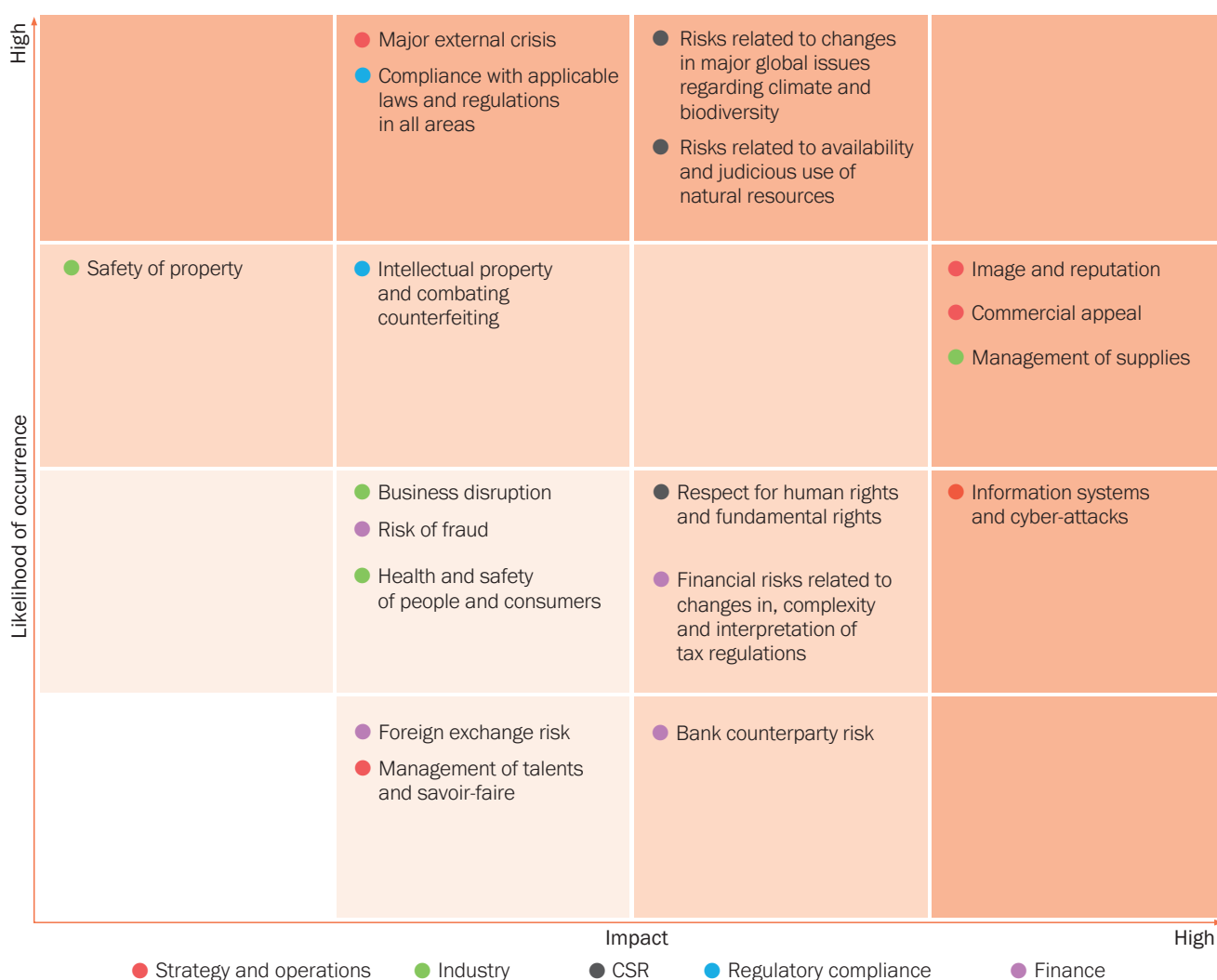
The main risk factors faced by the Group are presented below under five broad categories. These are risks specific to Hermès Group, identified in the Group risk mapping drawn up in 2017 and ranked on the basis of their potential impact and the likelihood of occurrence.

The risk mapping below reflects the exposure of Hermès Group, after taking into account the control measures implemented in order to mitigate their likelihood of occurrence and impact.

The Audit and Risk Committee was involved in determining this matrix.

The risk factors are presented in a limited number of categories depending on their nature. In each category, the most significant risks are presented first.

The Group has implemented a system to anticipate and control risk. This system is periodically updated to take into account regulatory, legislative, economic, societal, geopolitical and competitive developments. Every three years, Hermès Group's main risk exposures are reassessed with the participation of all stakeholders. The detailed description of the risk management system is presented in this chapter.



RISK RANKING BY CATEGORY (FROM MOST TO LEAST SIGNIFICANT)

● 1.11.1 Risks related to strategy and operations	1.11.1.1 Image and reputation	Page 42
	1.11.1.2 Commercial appeal	Page 43
	1.11.1.3 Information systems and cyber-attacks	Page 44
	1.11.1.4 Major external crisis	Page 45
	1.11.1.5 Management of talents and <i>savoir-faire</i>	Page 46
● 1.11.2 Industrial risks	1.11.2.1 Management of supplies	Page 47
	1.11.2.2 Business disruption	Page 48
	1.11.2.3 Health and safety of people and consumers	Page 49
	1.11.2.4 Safety of property	Page 50
● 1.11.3 Legal and regulatory risks	1.11.3.1 Compliance with applicable laws and regulations in all areas	Page 51
	1.11.3.2 Intellectual property and combating counterfeiting	Page 52
● 1.11.4 Risks related to social, societal and environmental responsibility	1.11.4.1 Risks related to changes in major global issues regarding climate and biodiversity	Page 53
	1.11.4.2 Risks related to availability and judicious use of natural resources	Page 53
	1.11.4.3 Respect for human rights and fundamental freedoms	Page 54
● 1.11.5 Financial risks	1.11.5.1 Risk of fraud	Page 55
	1.11.5.2 Foreign exchange risk	Page 56
	1.11.5.3 Bank counterparty risk	Page 57
	1.11.5.4 Financial risks related to changes in, complexity and interpretation of tax regulations	Page 58

1.11.1 RISKS RELATED TO STRATEGY AND OPERATIONS

1.11.1.1 IMAGE AND REPUTATION ●

<p>♦ DESCRIPTION OF THE RISK</p> <p>The reputation of Hermès Group is underpinned by the quality of its customer products and services, the <i>savoir-faire</i> of its craftsmen and its unique communication.</p> <p>In a globalised world and given the development of social media and their growing influence, negative or inaccurate media coverage or personal behaviour that is contrary to the House's values of ethics and integrity could affect the Group's image and reputation.</p>	<p>♦ RISK MANAGEMENT</p> <p>The Group rolled out an ethics charter and a code of business conduct for all employees (available at https://finance.hermes.com) in 2009 and 2012 respectively. These documents, translated into 12 languages, were updated in 2018 and aim to enhance the dissemination of the rules of conduct that underpin the Hermès Group's integrity and ethics:</p> <ul style="list-style-type: none"> 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 discuss with their line managers in cases where the principles are difficult to apply or are open to misunderstanding; the purpose of the code of business conduct is to raise employees' awareness about certain risks and to instil behavioural and alert reflexes. <p>An anti-corruption code of conduct was also rolled out for all employees in 2019 and translated into 17 languages.</p> <p>These three documents are provided to all new employees as soon as they join the House and are also available on our Intranet, HermèsSphère, under "Our ethics" and on the website https://finance.hermes.com. They are subject to formal acknowledgement of receipt when given to employees. Additional education sessions on anti-corruption laws have also been organised for operational staff.</p> <p>Furthermore, the Group has put in place a permanent monitoring system on the web under the responsibility of the Group Communications Department.</p> <p>Hermès also has a crisis management manual which serves to prevent, manage and limit the impacts of undesirable events on the Company.</p>
<p>♦ POTENTIAL IMPACTS ON THE GROUP</p> <p>A negative media campaign could affect the image of the group, with negative impacts on the Group's sales.</p>	

Note: Hermès' actions and achievements in the fields of ethics and compliance are described in chapter 2 of this report.

1.11.1.2 COMMERCIAL APPEAL ●

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<p>♦ DESCRIPTION OF THE RISK</p> <p>The commercial appeal and the desirability of products depend on the Group's uniqueness, expressed through its radical style, authenticity and origin of its ancestral <i>savoir-faire</i>, primarily "Made in France", the quality of its customer products and services, its adaptation to local cultures and its unique communication.</p> <p>In a constantly changing world, the Group's failure to take account of customers' expectations, issues with the quality of products and CSR concerns could impair the House's appeal.</p>	<p>♦ RISK MANAGEMENT</p> <p>The creative offering is the responsibility of the Group artistic department and its many designers who see to the creative synergies of the collections while preserving the House's identity and style. 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.</p> <p>Absolute product quality has always been a priority. This high standard is met through the performance of quality tests on all products before they are put on the market in order to guarantee their compliance and durability. The Group has also implemented a support system for its craftsmen and suppliers with a view to developing their <i>savoir-faire</i>, in line with the expected quality level.</p> <p>In order to continuously improve the customer experience, the Hermès Group has made a number of tools available, in-store and online, with a view to offering a service level in line with the quality of products offered and customers' expectations. For this purpose, stores are regularly refurbished, the omni-channel offering is gradually developing and the after-sales service takes care of requests for repairs of Hermès products.</p>
<p>♦ POTENTIAL IMPACTS ON THE GROUP</p> <p>The loss of commercial appeal could lead to a gradual loss of interest from customers.</p>	

1.11.1.3 INFORMATION SYSTEMS AND CYBER-ATTACKS ●

<p>◆ DESCRIPTION OF THE RISK</p> <p>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.</p> <p>Personal data protection is a priority for the Group.</p>	<p>◆ RISK MANAGEMENT</p> <p>Hermès' expenditure on IT systems (capital and operating expenditure) is consistent 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 <i>métiers</i>, to guarantee good operational performance, to keep IT-related risks under control and to prepare systems for the future, especially for new digital services.</p> <p>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 in all subsidiaries, in collaboration with the audit and risk management department and with the help of external service providers independent of the Group information systems department, where appropriate.</p> <p>In the field of IT risk prevention, IT risk mapping is regularly updated and presented to the Audit and Risk Committee. The work carried out in 2018 continued in 2019. It 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 the prevention 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.</p> <p>The Information Systems Department has reinforced its capacity to detect and deal with incidents. All computers and servers are equipped with a software to detect anomalies, enable security patches to be installed and conduct investigations in the event of doubt. Security incidents are dealt with by a dedicated team (Security Operation Centre) and are closely monitored.</p> <p>New employee awareness initiatives have been taken in various forms (conferences, posters, escape games, demonstrations, dedicated website in eight languages).</p> <p>Intrusion tests <i>via</i> 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.</p> <p>Crisis simulation exercises are conducted every year (November 2018 and November 2019) and are followed by feedback and action plans.</p> <p>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). The information systems department accordingly works with other departments in order to reduce the risks of damage to information systems and its impacts if such risks were to materialise.</p>
<p>◆ POTENTIAL IMPACTS ON THE GROUP</p> <p>The partial or total unavailability of certain information systems could disrupt processes and the concerned activities.</p> <p>Damage to information systems such as a cyber-attack could lead to a data breach (e.g. the unauthorised disclosure of sensitive data).</p>	

1.11.1.4 MAJOR EXTERNAL CRISIS ●

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<p>♦ DESCRIPTION OF THE RISK</p> <p>The Group is present in many markets and is therefore exposed to economic, political, social and health changes in the countries in which it operates.</p>	<p>♦ RISK MANAGEMENT</p> <p>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.</p>
<p>♦ POTENTIAL IMPACTS ON THE GROUP</p> <p>Geopolitical or economic tensions or a long-term pandemic could impact the Group's sales, particularly in areas where the Group has a significant presence.</p> <p>The breakdown of the Group's revenue by geographical area is presented on page 28.</p>	<p>Hermès relies on a balanced distribution structure across all regions of the world that significantly reduces client risk.</p> <p>The Group operates 311 points of sale under the Hermès banner, including 223 branches generating over 86% of revenue. A list of stores owned by the Group can be found on page 38. Moreover, the Group is working to expand its online revenue. 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 directly or through their own selective network. The details of these brands are presented on page 35.</p> <p>Sales are also slightly exposed to seasonal trends, with the second half of 2019 accounting for 52% of total sales (unchanged from 2018).</p> <p>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.</p> <p>Furthermore, a crisis management system is envisaged and may be activated as needed, including business continuity planning at the local level.</p>

1.11.1.5 MANAGEMENT OF TALENTS AND SAVOIR-FAIRE ●

<p>♦ DESCRIPTION OF THE RISK</p> <p>The <i>savoir-faire</i> of our craftsmen, and more widely our employees' professional development, form the foundation of Hermès. This foundation lies on preserving, enriching and passing on these often exclusive skills in a period of growth for our <i>métiers</i> and our workforce.</p> <p>♦ POTENTIAL IMPACTS ON THE GROUP</p> <p>A loss of <i>savoir-faire</i> or the disappearance of exclusive craftsmanship <i>métiers</i> would impact the Group's reputation and could negatively affect its financial results.</p>	<p>♦ RISK MANAGEMENT</p> <p>The human resources department conducts a systematic training policy for new hires, with a dedicated training programme. 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.</p> <p>Moreover, the Group Human Resources 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. Special mobility committees representing all <i>métiers</i> of the House meet on a regular basis.</p> <p>Training, along with internal mobility, is one of the major levers to support employees throughout their careers in the House. 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.</p> <p>Special attention is given to the health and safety of people and well-being at work as well as employees' work-life balance. The Group's Health and Well-being at work initiative launched in 2018 continued in 2019 with the creation of the Observatory on well-being and dedicated working groups to implement corrective actions in response to the improvements identified and expected by employees.</p> <p>Faithful to its family tradition and wanting to involve all employees in the Group's long-term growth, Hermès has implemented different measures for sharing economic benefits: incentives, profit-sharing, employee shareholding plans, etc.</p> <p>All initiatives undertaken by the Group relating to the management of talents and the preservation of <i>savoir-faire</i> are presented in chapter 2 of this document.</p>
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1.11.2 INDUSTRIAL RISKS

1.11.2.1 MANAGEMENT OF SUPPLIES ●

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<p>♦ DESCRIPTION OF THE RISK</p> <p>Most of Hermès' production is integrated, in line with its strategy of preserving unique <i>savoir-faire</i> and securing supplies. However, the ability of the Hermès Group to grow is also linked to the development of its suppliers, whose exceptional <i>savoir-faire</i> and future successes will contribute to those of the Group.</p>	<p>♦ RISK MANAGEMENT</p> <p>The Hermès Group makes most of its products in-house, primarily in France. It is not therefore seeking suppliers established in countries at risk. Hermès has long been committed to a responsible long-term partnership approach with its suppliers. It enters into special partnerships with suppliers and producers based on ethics and trust, by promoting long-term relationships with them. These stable relations pave the way for close collaboration on numerous topics.</p>
<p>♦ POTENTIAL IMPACTS ON THE GROUP</p> <p>A supply shortage, in terms of volume or quality, of certain materials that are essential for the Group could lead to disruptions in production and <i>eventually</i> a loss of business.</p>	<p>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 150 to 161.</p> <p>Hermès has developed long-term relationships with its partners and suppliers, thereby better protecting its supplies and critical know-how.</p> <p>Hermès is committed to providing long-term support for all its partners, and maintaining balanced relationships characterised by goodwill and high standards, and it ensure that its 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.</p> <p>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.</p>

1.11.2.2 BUSINESS DISRUPTION ●

<p>♦ DESCRIPTION OF THE RISK</p> <p>Hermès' production model is France-based and highly integrated. Indeed, the vast majority of our objects (80%) are made in France in exclusive in-house workshops (over 60%).</p> <p>The Group's ability to deal with a major industrial accident at one of its production, distribution or logistics sites (fire, flood), a natural disaster (tsunami, earthquake), a disruption in the supply of key materials or a major failure of information systems is a key issue for Hermès.</p>	<p>♦ RISK MANAGEMENT</p> <p>The control of industrial risks is built on a joint approach developed by the sustainable development department and the Group industrial affairs department. It relies on a specific "HSE" network and the local Sustainable Development Committees as described in chapter 2.</p> <p>Most of Hermès' production takes place in various sites spread across France, hence reducing the risk of a shutdown of operations.</p> <p>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 <i>métiers'</i> 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 expenditures and investments are considered to be a priority when making budget choices.</p> <p>Monitoring by in-house experts, plus regular visits, are conducted by the Group Security Department. They give rise to dedicated action plans, the implementation of which is monitored at the operational level by the sites in question.</p>
<p>♦ POTENTIAL IMPACTS ON THE GROUP</p> <p>An industrial accident at a Hermès site could impact the continuity of operations as well as its image and reputation.</p>	

1.11.2.3 HEALTH AND SAFETY OF PEOPLE AND CONSUMERS ●

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<p>♦ DESCRIPTION OF THE RISK</p> <p>The Group ensures respect for human rights, fundamental freedoms, the health and safety of people in relation to its activities and the activities of its subcontractors or suppliers.</p> <p>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.</p>	<p>♦ RISK MANAGEMENT</p> <p>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. 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, as described on page pages 154 to 160 of this report.</p> <p>Moreover, since 2003, the industrial affairs department has been leading a Health, Safety and Environment (HSE) network comprising HSE managers from the House's different <i>métiers</i>. With around 20 members, it meets several times a year to set targets, share results and learn about best practices in each of the <i>métiers</i>.</p> <p>The main initiatives of the House's various <i>métiers</i> are described in chapter 2 of this report. In most cases, they go beyond simple regulatory compliance to achieve true well-being at work. Each <i>métier</i> has its specific needs as regards working conditions, so it is logical for each one to create its own arrangements.</p> <p>The Workplace Health and Hygiene Division within the Group security department, has produced all single risk assessment documents, which are updated every year.</p> <p>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.</p>
<p>♦ POTENTIAL IMPACTS ON THE GROUP</p> <p>Any damage to the health and safety of employees, customers or third-parties working at Hermès sites, resulting from the activity of the Hermès Group or that of its sub-contractors or suppliers, and any non-compliance with the quality and safety standards of the products sold, could give rise to litigation and undermine the Group's reputation.</p>	

Note: The mitigation and prevention mechanisms for these risks are addressed specifically in chapter 2 of this report.

1.11.2.4 SAFETY OF PROPERTY ●

<p>♦ DESCRIPTION OF THE RISK</p> <p>The safety of property means all measures and means for combating threats and malicious acts. The main threats identified are: physical damage to property, people and infrastructure, damage to <i>savoir-faire</i> and intangible property, exploitation of human weaknesses or violations related to such weaknesses.</p>	<p>♦ RISK MANAGEMENT</p> <p>The objective therefore is to design a strategy to tackle these main threats. The following measures have been implemented:</p> <ul style="list-style-type: none"> • safety governance is set out in a safety policy covering the entire production and distribution network; • in case of a serious event, a crisis management process is implemented. This provides for the setting up of a crisis unit with dedicated resources made available. Crisis management exercises are regularly conducted.
<p>♦ POTENTIAL IMPACTS ON THE GROUP</p> <p>These breaches could give rise to damage to property and people working at both production and distribution sites.</p> <p>Moreover, they could expose craftsmen and sales associates to risks, causing moral and psychological damage to all Group employees.</p> <p>In addition to direct financial losses, they could harm the Group's image.</p>	<p>Hermès is organised so as to take account of these risks on a daily basis: a central monitoring station, operating round the clock, is connected to the 60 production and distribution sites in France. The Group took the decision to employ 60 agents in its internal security division, to which external service providers are added.</p> <p>This system is also backed by partnerships set up through agreements signed with the police force and the Ministry for Europe and Foreign Affairs.</p> <p>More generally, all risks identified are addressed by eight dedicated security committees (e.g.: production, distribution, transport, information systems, cash, parallel market, compliance).</p> <p>The major risks thus targeted are discussed individually at the Group Security Committee, which includes the Executive Vice-President of Governance and Organisational Development, and which has decision-making powers.</p>

1.11.3 LEGAL AND REGULATORY RISKS

1.11.3.1 COMPLIANCE WITH APPLICABLE LAWS AND REGULATIONS IN ALL AREAS ●

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<p>◆ DESCRIPTION OF THE RISK</p> <p>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.</p> <p>Due to its geographical set up, Hermès Group is subject to the laws and regulations in the countries in which it operates.</p>	<p>◆ RISK MANAGEMENT</p> <p>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 in-house and by external firms:</p> <ul style="list-style-type: none"> • 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 <i>métiers</i> (<i>Métiers</i> and Selective Brands, <i>Métiers</i> Hermès Sellier and <i>Métiers</i> Holding and Support) and regional divisions, with legal teams in China, Japan, Singapore, South Korea 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 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 12 months have had, a significant impact on its financial condition or profitability and/or Group.
<p>◆ POTENTIAL IMPACTS ON THE GROUP</p> <p>Regulatory non-compliance in particular could have a negative impact on the Group's operations, tarnish its reputation and give rise to financial penalties.</p>	

1.11.3.2 INTELLECTUAL PROPERTY AND COMBATING COUNTERFEITING ●

<p>♦ DESCRIPTION OF THE RISK</p> <p>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 <i>métiers</i> are affected by the scourge and, most particularly, the Leather Goods sector.</p>	<p>♦ RISK MANAGEMENT</p> <p>The Group has a particularly comprehensive portfolio of brands, models, patents and domain names, which is regularly expanding.</p> <p>Within each <i>métier</i> legal division, teams are specifically dedicated to these issues and ensure that all of the Group's creations are protected effectively.</p>
<p>♦ POTENTIAL IMPACTS ON THE GROUP</p> <p>Unauthorised use of registered brands and other intellectual property rights, parallel trading, sale of counterfeit products, could tarnish the Group's image.</p>	<p>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.).</p> <p>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.</p>

1.11.4 RISKS RELATED TO SOCIAL, SOCIETAL AND ENVIRONMENTAL RESPONSIBILITY

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

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

A materiality analysis was conducted in 2019 with four internal working groups and a panel of external stakeholders. The detailed results are presented in chapter 2. This study confirms and sets out the analysis conducted more widely at Group level in 2017 on three main themes:

- ♦ risks related to changes in major global issues regarding climate and biodiversity;
- ♦ risks related to availability and judicious use of natural resources (water, energy, raw materials, waste management and recycling);
- ♦ risks related to human rights and fundamental freedoms, and in particular, as regards the ethical aspect of our relations and more broadly the well-being of our employees.

More details by type of risk, and the mitigation and prevention mechanisms for these risks are addressed specifically in chapter 2 of this report.

1.11.4.1 RISKS RELATED TO CHANGES IN MAJOR GLOBAL ISSUES REGARDING CLIMATE AND BIODIVERSITY ●

1

<p>♦ DESCRIPTION OF THE RISK</p> <p>Major climatic deterioration (more intense natural disasters, substantial rise in temperatures, loss of habitats due to the rise in water levels and desertification).</p> <p>Change in regulatory requirements related to these issues (taxation, restriction of operations).</p>	<p>♦ RISK MANAGEMENT</p> <p>Hermès' French craftsmanship model, through its presence across France, reduces its vulnerability to extreme events already experienced in certain parts of the world. The diversity of <i>métiers</i> and supplies (by type and by geography) is also a factor reducing potential impacts.</p> <p>The industrial affairs department, in coordination with the <i>métiers</i> concerned, and other Group departments (audit and risk management department, sustainable development department) factor in these issues in the strategic monitoring of operations, through diagnostics, such as on the issue of control of our carbon emissions and on the impact of climate change on our operations, and by contributing to the preparation of operational action plans (the work conducted in-house was rated B by the agency CDP).</p> <p>The Group is working to better understand the precise impacts on its operations of these potential risks and to be better prepared. In addition, it has undertaken an active greenhouse gas emission offset policy, as detailed in chapter 2 of this report.</p>
<p>♦ POTENTIAL IMPACTS ON THE GROUP</p> <p>Rapid changes could impact our supply chains, operations (production, logistics or distribution) and the behaviour of our customers.</p>	

1.11.4.2 RISKS RELATED TO AVAILABILITY AND JUDICIOUS USE OF NATURAL RESOURCES ●

<p>♦ DESCRIPTION OF THE RISK</p> <p>The Group seeks to secure quality supplies of natural and renewable materials, obtained while fully respecting biodiversity. The Group also pays particular attention to the impacts of climate change on its supply chains in order to ensure the durability of activities in a rapidly changing environment.</p> <p>The risk relates to access and availability of materials, as well as the conditions to procure them: social & environmental impact; and impact of their societal acceptability (animal welfare).</p>	<p>♦ RISK MANAGEMENT</p> <p>The Group works at different levels, under the coordination and active control of the industrial affairs department, and involves the main <i>métiers</i> of the House in an initiative aimed at improving the understanding of supply chains and developing operating practices in order to jointly develop the resilience of these channels. These measures are complemented by audits, which are carried out regularly by specialised service providers, or with the WWF on certain channels, in order to address in the best possible manner the risks related to these materials (alligators, cashmere, wood, natural essences). Action plans are then implemented.</p> <p>With a view to continuous improvement, these processes are reviewed on a regular basis and action plans are implemented.</p> <p>The mitigation and prevention mechanisms for these risks are addressed specifically on pages 112 to 120. The <i>métiers</i>, with the support of the industrial affairs and property department, are working on the optimised use of resources in our operations.</p> <p>Projects focusing on recycling and the circular economy have been launched with the <i>métiers</i> or the distribution network (see in particular chapter 2 of the report).</p>
<p>♦ POTENTIAL IMPACTS ON THE GROUP</p> <p>Reduction in the quality and volumes of very high quality natural raw materials, increase in costs.</p> <p>Inappropriate management of waste or of the end-of-life of our products and materials could impact the Group's reputation.</p>	

1.11.4.3 RESPECT FOR HUMAN RIGHTS AND FUNDAMENTAL FREEDOMS ●

<p>♦ DESCRIPTION OF THE RISK</p> <p>Although 80% of production is carried out in France, the risks of serious violations of human rights, fundamental freedoms, and the health and safety of persons nevertheless exist. Moreover, the diversity of our <i>métiers</i> and our supply chains, coupled with our objective of using exceptional raw materials where they are produced, lead us to work in partnership with suppliers in countries that are sometimes far afield. In these countries the risks of violation of human rights, fundamental freedoms, and the health and safety of persons must also be managed.</p>	<p>♦ RISK MANAGEMENT</p> <p>Hermès respects fundamental conventions on human rights and fundamental freedoms (Universal Declaration of Human Rights, and the fundamental freedoms of the ILO, the OECD Guidelines and the Global Compact).</p> <p>Furthermore, this Group commitment is promoted at the internal level through the ethics charter, which defines Hermès' relations with its employees and suppliers, and the code of business conduct, which contains a specific section on human rights and fundamental freedoms. All Hermès employees regularly take part in a survey on well-being and have access to an alert system "H-Alert" available in 17 languages to report any breach of our commitments.</p>
<p>♦ POTENTIAL IMPACTS ON THE GROUP</p> <p>A violation of human rights and fundamental freedoms would be contrary to the Group's ethical and moral values and would have a strong impact on its reputation and image.</p>	<p>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 and the environment, resulting from its activities as well as the activities of its subcontractors and suppliers. Identification, mitigation and prevention mechanisms for these risks have been put in place for employees, suppliers and subcontractors and are detailed in chapter 2 of this report.</p>

1.11.5 FINANCIAL RISKS

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 position, it is not exposed to liquidity risk and applies a conservative policy in managing interest rate risks.

1.11.5.1 RISK OF FRAUD ●

◆ DESCRIPTION OF THE RISK	◆ RISK MANAGEMENT
<p>The Group's exposure to the risk of fraud is due in particular to its growing visibility in many countries and its increasing digital presence.</p> <p>The inventiveness and adaptability of external fraud attempts on defence systems seen on the market also represent threats.</p>	<p>Treasury and currency management is centralised by the Group's treasury department and adheres to strict management and monitoring rules. Administrative management and operational control are ensured by the middle & back office department, notably <i>via</i> the use of integrated cash flow software.</p> <p>The Treasury Security Committee regularly checks that these procedures have been applied and that any risks identified have been addressed.</p>
<p>◆ POTENTIAL IMPACTS ON THE GROUP</p> <p>Any case of fraud could cause financial losses to the Group and tarnish its reputation.</p>	<p>The audit and risk management department oversees proper compliance with risk monitoring and management procedures. As part of the coordination of internal control, it regularly creates awareness among the network of internal controllers about the risk of fraud and restates the specific fraud prevention procedures, in particular as regards the purchase and payment process ("Whaling"). External audits are also conducted on this process to identify and address potential weaknesses. Audits in subsidiaries to verify the proper application of procedures complement this system.</p> <p>Furthermore, a specific mapping exercise concerning the risk of fraud has been conducted, 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 <i>ad hoc</i> security system has also been introduced and is monitored by the Group Security department.</p> <p>Furthermore, 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, who is responsible for its management, as described in section 2.8.3.1.2.</p> <p>Measures put in place by the Group to prevent computer intrusions are described in chapter 1.11.1.4.</p>

1.11.5.2 FOREIGN EXCHANGE RISK ●

<p>♦ DESCRIPTION OF THE RISK</p> <p>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.).</p> <p>At 31 December 2019, over 70% of the Group's sales are made in a currency other than euro.</p>	<p>♦ RISK MANAGEMENT</p> <p>This exposure is hedged in order to minimise and anticipate the impact of currency fluctuations on the Group's profits.</p> <p>The Group's foreign exchange risk exposure management policy is based on the following principles:</p> <ul style="list-style-type: none"> 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. <p>These management rules have been validated by the Executive Committee and have also been endorsed by the Supervisory Board.</p> <p>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 audit and risk management department ascertains compliance with the risk control and management procedures.</p> <p>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.</p> <p>According to the above policy, 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%.</p> <p>As such, the Group uses purchases and sales of put and call options as well as currency swaps and forward currency agreements.</p> <p>Quantitative information on foreign exchange risk impacts is provided in Note 25.2 to the consolidated financial statements.</p> <p>The treasury 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. Thanks to the exchange rate hedging policy, the impacts are pre-empted. Losses, if any, are offset, in part or in full, by price increases determined by region.</p>
<p>♦ POTENTIAL IMPACTS ON THE GROUP</p> <p>Financial losses.</p>	

1.11.5.3 BANK COUNTERPARTY RISK ●

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<p>♦ DESCRIPTION OF THE RISK</p> <p>As the Group has a positive cash position 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.</p>	<p>♦ RISK MANAGEMENT</p> <p>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. In addition, counterparty risks on financial transactions are monitored on an ongoing basis by Hermès International's Treasury department. Finally, the Group breaks down investment transactions, currency risk hedge transactions and deposits transactions in the selected banks within defined limits of amount and maturity.</p> <p>Moreover, the impact of the credit risk as recommended by IFRS 13 in the fair value of derivatives is close to zero for the Group, given that all of the derivatives have a maturity of less than 12 months.</p> <p>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.</p> <p>Most available cash is invested, mainly in money-market mutual funds offered by leading financial institutions, in term deposits and in deposit certificates issued by top-rated banks, for the short term with very low sensitivity.</p> <p>Quantitative information on interest rate risk impacts is provided in Note 25.3 to the consolidated financial statements.</p> <p>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 adapt to changes in its environment.</p>
<p>♦ POTENTIAL IMPACTS ON THE GROUP</p> <p>Financial losses.</p>	

1.11.5.4 FINANCIAL RISKS RELATED TO CHANGES IN, COMPLEXITY AND INTERPRETATION OF TAX REGULATIONS ●

◆ DESCRIPTION OF THE RISK	◆ RISK MANAGEMENT
The Group is exposed to financial risks related to changes in tax regulations or their interpretation in the countries where it operates.	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 applicable 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.
◆ POTENTIAL IMPACTS ON THE GROUP	
Any change in tax regulations involving and increasing taxes and duties, mainly income taxes, custom duties, withholding taxes, particularly concerning goods and financial flows (interests, dividends)... could have a negative impact on the Group's results.	

1.11.6 INSURANCE POLICY AND RISK HEDGING

In line with the Group risk analysis, 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: 75 production and distribution sites were the subject of a prevention inspection in 2019. The recommendations issued are monitored using a stringent, formally documented system. This policy has been renewed for 2020, 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 two years at 1 January 2019 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 €100 million, and the deductibles vary from €1,000 to €10,000;

- 3) the transport of products between 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 renewed with AIG Europe on 1 January 2019 for a period of 36 months. The coverage limit is €15 million per claim and €25 million for the period, and the deductible thresholds are €25,000;
- 5) cyber risks. The policy with Zurich Insurance and other prominent insurers 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 have 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.

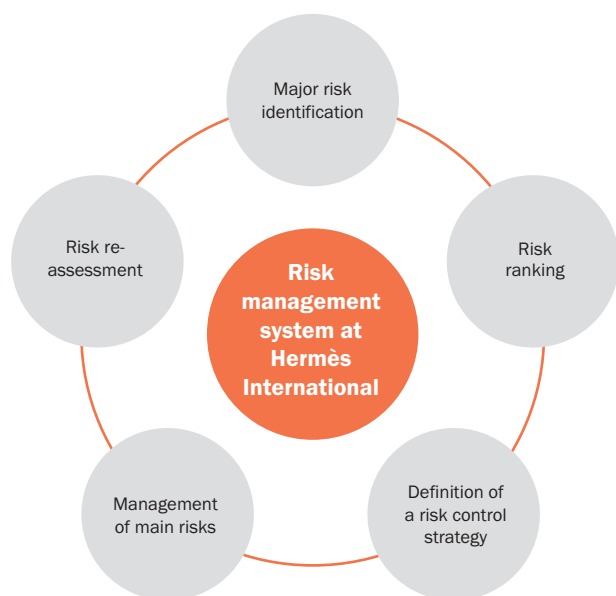
In 2019, these policies were not the subject of significant claims.

1.11.7 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 1.12.

1.11.7.1 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 internal and external risks and for handling the main risks at the appropriate operating level in order to reduce the Company's exposure.



1.11.7.2 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 demanding 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 Company's ingrained risk management and internal control culture, management style and corporate ethical 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 2012, it was completed by the code of business conduct, that sets out the behaviour expected from Group employees. These two documents, translated into 12 languages, were updated in 2016 and subsequently in 2018 and aim to enhance the dissemination of the rules of conduct that underpin the Hermès Group's integrity and ethics:

- ♦ the Ethical Charter aims to promote compliance and to ensure the proper application of laws, regulations and key principles. It is intended as an instrument of progress and dialogue, and encourages employees to discuss with their line managers in cases where the principles are difficult to apply or are open to misunderstanding;
- ♦ the purpose of the code of business conduct is to raise employees' awareness about certain risks and to instil behavioural and alert reflexes.

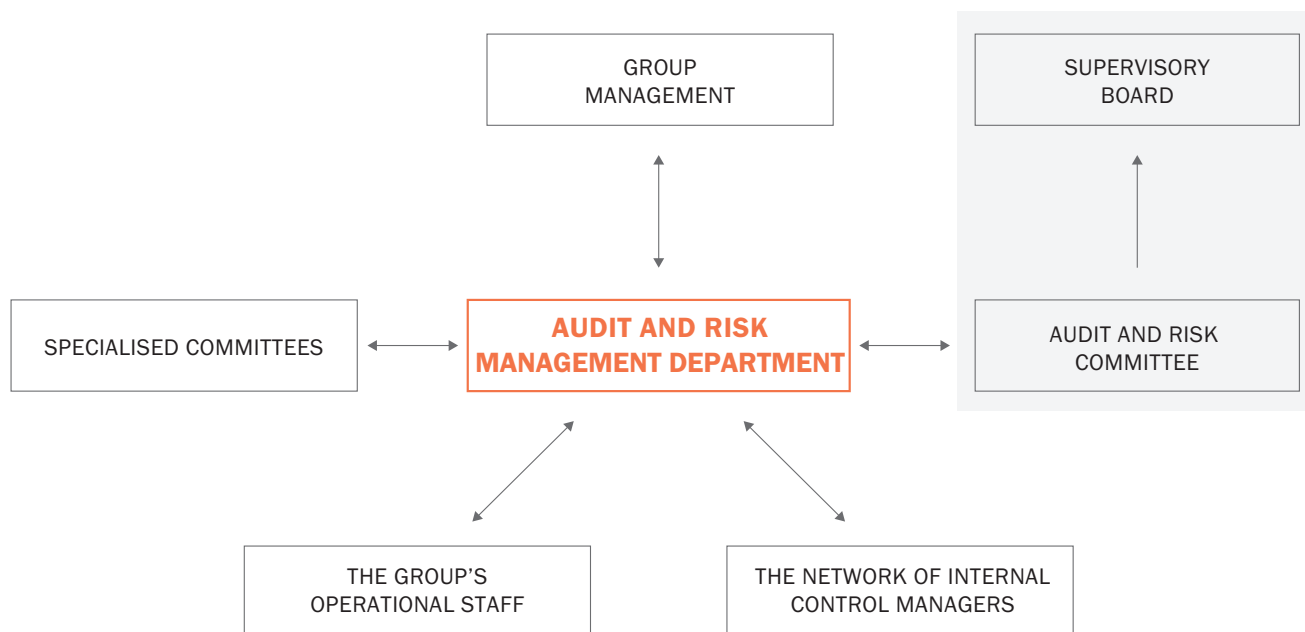
Moreover, an anti-corruption code of conduct was also rolled out for all employees in 2019 and translated into 17 languages.

These documents are available on the Company intranet under "Our Ethics" and on the website (<https://finance.hermes.com>), and are 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.

1.11.7.3 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 presented in the notes to the consolidated financial statements.

1.11.7.4 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 quality and effectiveness of the risk management and internal control systems 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.

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 284 to 286. 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 Chairwoman 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 2019 is provided on page 257.

The work and functioning of the Audit and Risk Committee were assessed at the end of 2019 as part of the three-year formal self-assessment of the Supervisory Board (see pages 250 to 253). Since 2017 the updated IT risk mapping is also shared with the Audit and Risk Committee every year.

Audit and risk management department

The audit and risk management department reports to the Group's Executive Vice President Compliance and Organisation 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 audit and risk management department also carries out support assignments for the internal control roll-out within newly acquired entities. In order to conduct specialised audits, the audit and risk management department may call upon outside firms or use appropriate analysis tools notably in the context of preventing accounting fraud. The audit and risk management department regularly conducts integrated audits with Group experts.

The audit and risk management department comprises a core team of experienced auditors and runs a decentralised network of internal controllers. It performs three main roles for the Group:

- ♦ carry 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;
- ♦ 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 2017, this methodology was entirely revised by a specialist external firm;
- ♦ coordinate a network of around 60 internal control managers, 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 has formalised the duties and responsibilities of the internal auditors and their professional conduct since 2010. It sets out the way in which their audit engagements are conducted. 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, *métiers*, 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 the audit and risk management department, 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 main 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 audit and risk management department.

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 the audit and risk management department, 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, commercial department and human resources department, in order to prepare a vigilance plan for all Group subsidiaries. A Director of Legal Compliance was appointed in 2017. His duties are detailed in section 2.8.2.2 on page 177 of this report.

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 Chief Financial Officer, 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.

1.11.7.5 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 audit and risk management department.

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 audit and risk management department.

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 on a regular basis. 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 the audit and risk management department's audit plan and the internal auditors' work programmes. It also feeds in to 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 audit and risk management department 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, who is responsible for its management, as described in section 2.8.3.1.2.

The audit and risk management department 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. The audit and risk management department 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.

1.11.7.6 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 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 audit and risk management department verifies the implementation of the general IT controls during the audits. In this context, the audit and risk management

department 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 audit and risk management department 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 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 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 and 2019. This system was complemented in 2019 by an organisational audit of processes relating to cash performed by an external firm followed by a specific action plan.

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 audit and risk management department. The self-assessment focuses on a general internal control questionnaire (CHIC Practices), for which the guidelines are 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. The findings are analysed centrally by the audit and risk management department and shared with the departments in question in order to define central action plans to serve all subsidiaries of the Group.

CHIC Questionnaires	Number of themes*	Examples of themes addressed
Stores	7	Customer relationship management, Cash management, Stocktaking, Safety/Security, etc.
Practices	10	Finance, Human Resources, Control environment, Information systems, Communication, Ethics and compliance, etc.
Cash	6	Management of bank accounts, Processes and payment means, Regulatory compliance, e-payments, 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 audit and risk management department 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 audit and risk management department 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 been strengthened and now provides dense coverage of internal control within the main entities. As part of its role as coordinator for the network of internal control managers, the audit and risk management department 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.

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

AFR

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 "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 January 2020.

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

Other internal control and risk management procedures are described in chapter 1.11 "Risk factors".

- ◆ 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.

1.12.1 OBJECTIVES OF RISK MANAGEMENT AND INTERNAL CONTROL 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;

1.12.2 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 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 Compliance and Organisation Development, member of the Executive Committee, who ensures the implementation of adequate methods (organisation, skilled resources, tools) and oversees the audit and risk management department responsible for the risk management system and for internal control coordination;
- ♦ the Executive Vice-President Finance, member of the Executive Committee, who ensures the implementation of a system:
 - 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 internal control at operating entities,

- 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 and internal control 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.

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;
- ♦ the traceability of closing accounting entries within a single centrally-managed information system;
- ♦ that consolidation packages are checked prior to incorporation (compliance with Group accounting standards and practices and verification of consistency);
- ♦ that systems are in place for analysing the accounts, such as reviews conducted by the financial controllers, verification of consolidation transactions, ascertaining that IFRS have been properly applied, analysis of internal transactions, etc. The reporting and consolidation procedures include the controls required to ensure the reliability of financial information.

Finally, in the context of these audits, the audit and risk management department coordinates its work on internal control with the Statutory Auditors.

2

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Through their sustainable development approaches, the companies implement practices that reconcile economic and social progress with the preservation of the planet's natural balances, in a long-term vision. Linked to the 17 United Nations Sustainable Development Goals¹ for 2030, these societal and environmental challenges provide the framework for Hermès' action in this area.

For more than six generations, the values inherent in craftsmanship have flowed through Hermès. These values have shaped its development and, at the same time, its relationship with the wider world. Tangible and woven into daily life, these values inspire all employees, suppliers and partners, through their existence all around as well as through internal networking actions. They form the platform for the actions of the House in matters of sustainable development by appropriating the notions of individual and group responsibility, authenticity in the search for excellence, or acceptance of the long-term approach as a factor influencing performance.

The Hermès Group's craftsmanship model of manufacturing is primarily anchored in the creativity and *savoir-faire* of the men and women in France and is rooted in the four essential heritages of the House: creation, *savoir-faire*, exceptional raw materials (often exclusive) and the retail universe. It is based on geographic and cultural proximity between our designers and the craftspeople in our production units. It relies on the manufacturing culture that we enhance and develop, with a desire to ensure the transmission of our exceptional *savoir-faire*. It is deployed in a spirit of balance and sobriety in the use of raw materials and a commitment to a low environmental footprint.

The Hermès Group's ambition for sustainable development is to contribute to the longevity of its craftsmanship model by enhancing the value of its heritage and to enable virtuous economic and social development, not only for employees and shareholders, but more broadly for its stakeholders, and thus contribute to the future for the next generations. To achieve this objective, the Hermès Group must also control and reduce its impacts, however moderate, on the planet. This goal is also accompanied by a deep humanistic desire to give back to the world some of what the world has given to Hermès.

This statement of non-financial performance (SNFP) covers all of the Hermès subsidiaries and Group sites (scope detailed in section 1.7), all

métiers and all regions included. Given that Hermès manufactures 61% of its objects in its exclusive and internal workshops, this statement is very representative of its overall footprint. Several changes modify the presentation of disclosures related to the 2019 financial year, in order to improve clarity:

- ♦ the business and value-creation model provides a summary visual presentation (section 2.1) for the first time, with details in the subsequent sections;
- ♦ the materiality matrix (part 2.1.3.1), illustrates the alignment of the priorities defined by Hermès as part of its CSR strategy and the expectations of its stakeholders;
- ♦ the Ethics and Compliance section is integrated with the societal and environmental information (section 2.8).

Methodological note

This statement of non-financial performance (SNFP) 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. From the end of the first half-year, the various contributors came together to rank the subjects they wished to discuss and prepare a schedule extending to the end of the year. Given the time frames, certain annual data is reported at end October (industrial affairs department). Each department uses digital tools to consolidate the information related to their activities. These main contributors rely on their respective networks in order to summarise and highlight the most significant progress and the work carried out on the major strategic sustainable development challenges. This operating mode enables a fairer reflection of operating reality, in an environment in which the activities of the House are very diversified. Finally, the verification work is carried out by an independent third-party (PricewaterhouseCoopers), with audits conducted prior to publication and the issuance of a reasonable assurance report, which is a significantly higher level of certification than the moderate assurance required by law (verification diligence covering around 50% of the workforce, more extensive than that required by French law, at only 20%) (section 2.9).

1. This sets objectives in matters of justice and social inclusion, human rights, international labour standards, respect for the environment and the fight against corruption

2.1 BUSINESS MODEL

The Hermès Group presents its value creation model in visual form (see the following page) in order to present the distinctive features of the French craftsmanship manufacturing model. This approach helps explain the activities of the House, its footprint and contribution to a more sustainable world in its economic, social, societal and environmental dimensions.

The Hermès Group's model is unique in many ways:

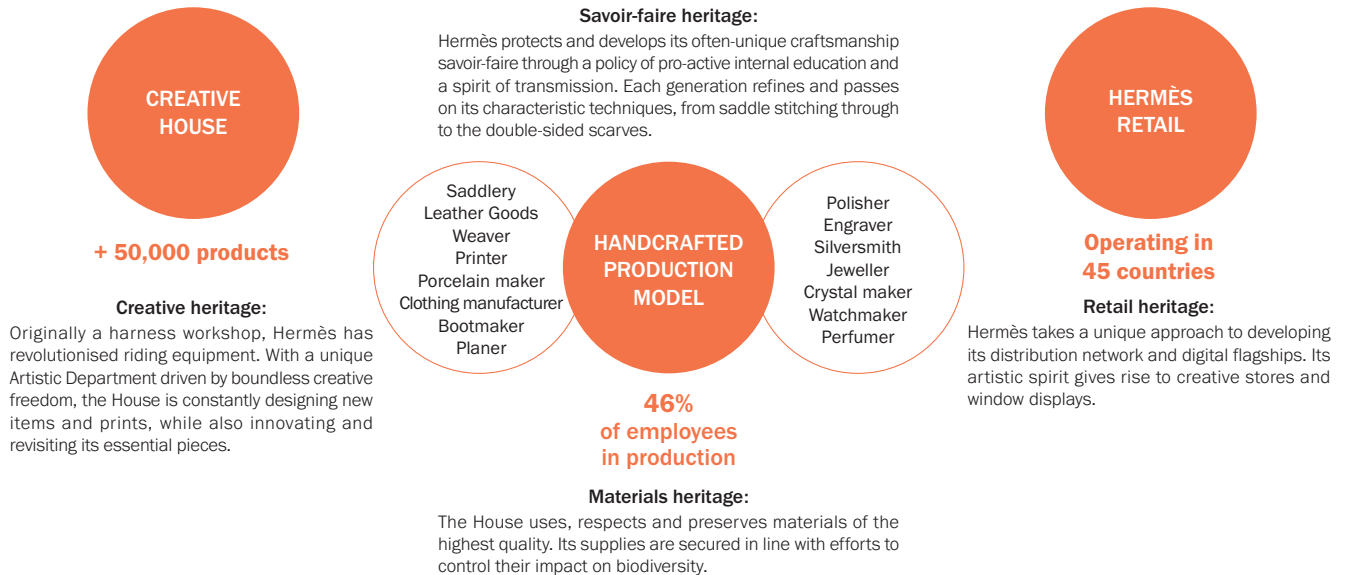
- ♦ a family-run business rooted in a tradition of craftsmanship, the foundations of an eagerness to ensure transmission of skills and durability;
- ♦ fundamental heritages, sources of sustainability, that are continuously reinvented: creation, *savoir-faire*, materials and retailing;
- ♦ objects designed to last: rigour and responsibility that are the life force of the House's 15 *métiers* (see section 1.5);
- ♦ a French House with an international reach: an integrated manufacturing model conducted principally in France, with distribution throughout the world tailored to local situations;
- ♦ controlled development and solid results;
- ♦ a contribution to a more sustainable world through its humanist vision of its activity and a desire to give back to the world some of what the world has given it.

A FRENCH MODEL OF CRAFTSMANSHIP THAT IS SUSTAINABLE AND CREATES VALUE

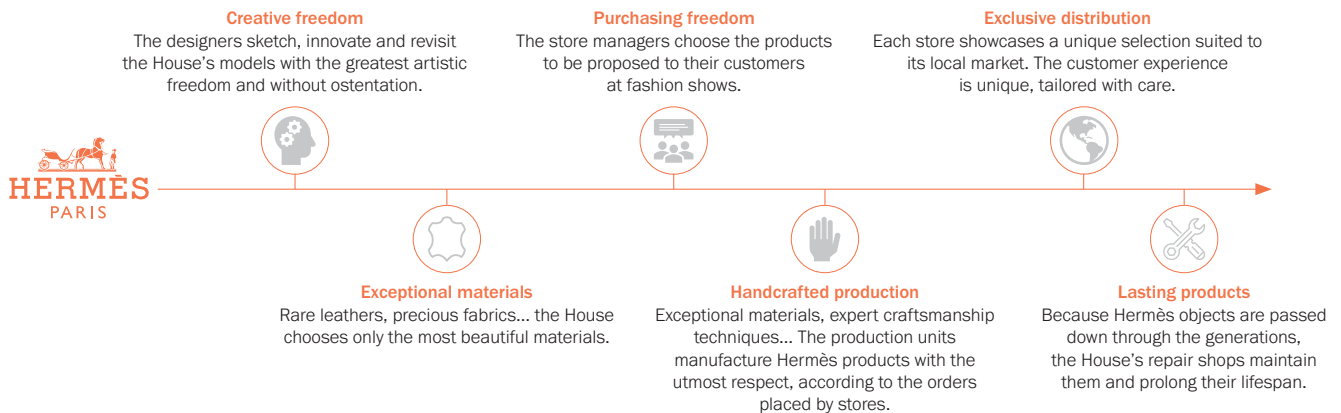
OUR ROOTS AND VALUES

An independent creative House since 1837, guided by the qualities of craftspeople: responsibility, authenticity and a long-term view. An integrated model of French manufacturing, which educates and develops its craftspeople in-house. The humanistic management of employees. Useful and long-lasting objects that combine functionality, aesthetics and high-quality materials, and are passed down from one generation to the next. A diverse product range reconciling creative freedom with the stores' freedom of purchase. The determination to give back to the world.

UNIQUE HERITAGE



EXCEPTIONAL OBJECTS DESIGNED TO LAST



A FRENCH HOUSE WITH A GLOBAL REACH

43 production sites in France

♦ 2 sites in America

♦ 5 sites in Australia

♦ 5 sites in Europe

311 exclusive stores, including

♦ 31 in France



80% of objects made in France

61% of objects made in our exclusive and internal workshops

62% of employees in France

92% of leather sourced in France and Europe

87% of sales outside of France

Detail in Section 1.7.2

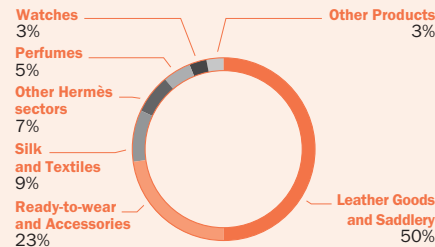
CONTROLLED DEVELOPMENT & STRONG RESULTS IN 2019

Economic

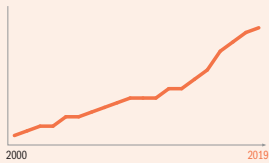
Design and grow

- ◆ €6.9 bn in revenue
- ◆ 12.4% growth at constant exchange rates
- ◆ €2.3 bn in recurring operating income
- ◆ €478 m in operating investments
- ◆ €70 bn in market capitalisation as at 31 December 2019

BREAKDOWN OF REVENUE BY MÉTIER



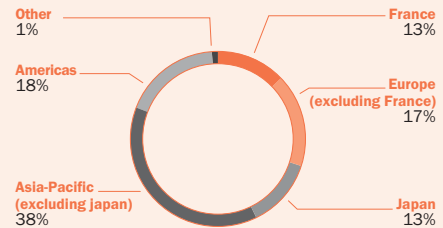
CHANGE IN REVENUE



CONTRIBUTING TO A MORE SUSTAINABLE WORLD

- ◆ 7 stores opened in 2019
- ◆ 1 production site opened in 2019
- ◆ 33.1% consolidated tax rate
- ◆ Over 13,000 employees members of the employee shareholding plan in 2019

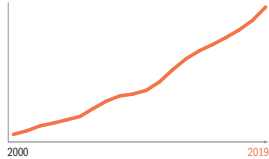
BREAKDOWN OF REVENUE BY GEOGRAPHICAL AREA



Social

Value and transmit

CHANGE IN WORKFORCE



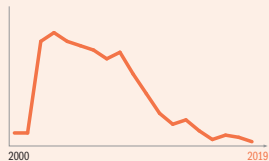
- ◆ 15,417 employees in 2019, of which 5,200 are craftspeople
- ◆ 8 production sites opened in France since 2015
- ◆ Internal education schools for the craftsmanship and sales professions
- ◆ Leather Goods division: 82 trainers and 200 tutors educate the craftspeople in their new profession for 17 production units
- ◆ Hermès voted "2nd best Glassdoor employer in 2019"
- ◆ 54.2% of women in governing bodies

- ◆ 463,750 hours of education in 2019
- ◆ 676 jobs created in France in 2019, 3,699 in the last five years
- ◆ 5 600 employees educated by École du Cuir since 2011
- ◆ 197 CAP vocational qualifications in leatherwork & 76 saddler and leather worker (Sellier Maroquinières d'Art) diplomas in 2019
- ◆ Partnership with the French Job Centre and education in the craftsmanship professions
- ◆ Disability: employment rate, 7.42% (legal threshold of 6%)

Environmental

Respect and preserve

ENERGIES INTENSITY IN MWH



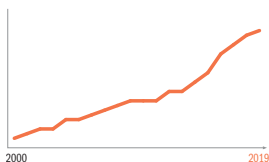
- ◆ Over the last 10 years, decoupling of energy consumption (x1.34) and industrial water consumption (x1.9) from activity growth (x3.6)
- ◆ Offsetting of 100% of carbon emissions from production, administrative and logistics sites, and stores (scopes 1 and 2) with *Livelihoods*
- ◆ Collaboration with NGOs such as WWF (France) in the sustainable development of certain channels (leather, cashmere, wood, etc.)
- ◆ Nearly 100,000 repair requests per year
- ◆ 78% green electricity supply

- ◆ Publication of standards on Animal Welfare and creation of a monitoring committee in 2019
- ◆ 95% of leathers are by-products of human food (recycling)
- ◆ 100% recycled gold for jewellery
- ◆ Launch of an internal supply chain management tool (within 11 sectors) in 2019
- ◆ Act4Nature commitment

Societal

Develop and participate

CHANGE IN NUMBER OF PRODUCTION SITES IN FRANCE



- ◆ Presence in 12 of the 13 French regions with nearly 80 sites (production units, stores, logistics sites, offices)
- ◆ Creation of regional divisions of excellence
- ◆ 19-year average relationship with the main direct suppliers
- ◆ 52% of purchases made in France (Top 50 direct suppliers)
- ◆ 100% of leather goods made in France

- ◆ 1 direct job created in a rural area indirectly leads to at least 1.5 other jobs
- ◆ 4 editions of Hermès at Work
- ◆ Organisation of unique events around the world (exhibitions, etc.)
- ◆ €40 m allocated to the budget of Fondation d'entreprise Hermès
- ◆ 76% of direct suppliers committed to a CSR policy

Governance

WE SUPPORT



- ◆ Inclusion of CSR criteria in the variable compensation of the two Executive Chairmen
- ◆ A SD committee every two months with two Executive Committee members
- ◆ Sustainability: 72/100 (outperformer)
- ◆ ISS-Oekom: C (prime threshold: C+)
- ◆ CDP: B (Carbon, Forest, Water. Sector average rating on Carbon: C)
- ◆ A CSR Committee within the Supervisory Board

- ◆ Contribution to 14 of the 17 United Nations SDGs
- ◆ Global Compact Advanced Level
- ◆ Signature of the Fashion Pact in 2019
- ◆ Positivity index: 75.6% (B+), CAC 40 average: 51%
- ◆ Internal and external ethics whistleblowing systems

2.1.1 A FRENCH MODEL OF CRAFTSMANSHIP

2.1.1.1 OUR ROOTS AND VALUES

Hermès has remained true to its values since 1837 and continues to thrive as a house where craftspeople are at the fore. Selecting the most beautiful materials, it produces exceptional useful and aesthetic objects, designed to be passed on to the future. Hermès now has a world-wide reputation, but the House has always been and remains today, an independent company supported by family shareholders, the sign of stability and longevity. Promoting French manufacturing, its project is based on the excellence of the craftsmanship *métiers*; human hands, and quality are the keys.

The characteristics of craftsmanship, from the founding of the Company, nurture its development and, in parallel, its relationship with the wider world. Naturally imprinted with respect and humility, these attributes, over time, have become company values. Lived and embodied by the Senior Executives and all employees, today they represent the federating pillars of the corporate social responsibility (CSR) approach that Hermès shares with its stakeholders:

- ♦ **responsibility:** a handmade leather object, for example, is the work of a single person. Following the original principle “one person, one bag”, a single person masters all of the steps necessary for an object’s creation, and is accordingly responsible for its 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 also requires a commitment the product’s future life: each craftsperson has a view that transcends beyond the production process. This heightened awareness of responsibility by the craftsperson, who stamps the bag with his or her “mark”, nourishes the individual and group sustainable development practices;
- ♦ **authenticity:** the craftspeople are passionate about emphasizing the “authenticity” of beautiful materials and eschews the use of imperfect materials, even when the end result may seem acceptable. This demanding attitude is reflected in the attention paid to all the aspects that comprise the handmade object and its craftsmanship. The inside is given just as much care and attention as the outside. The Hermès craftspeople, and all employees of the House, are nonetheless aware of their limits and imperfections, and constantly question each stage, so as to perpetuate the values of excellence. Sustainable development is pursued in this spirit of sincerity, excellence and continuous improvement. It is built on accomplishments rather than abstract commitments, without fanfare but with the goal of long-term efficiency;

- ♦ **acting with urgency while taking the time to do well:** the craftspeople do not like to put off today what they can accomplish now. Hermès’ craftspeople House, see time as an ally, that enables them to work well, to integrate the internal or external challenges of all stakeholders to see things in a balanced perspective. In the making of an object by hand, it is impossible to skip a step to save time, everything flows in continuity, everything is necessary. These modes of operation shape and determine the way projects are conducted. They encourage the implementation of responsible policies and practices, using a participative approach, blending exacting requirements and efficiency to obtain a high-quality end result. While considering changing and accelerating contexts, projects take into account the necessary rhythm for sustainable change among employees, partners and natural ecosystems. Urgency to act and hasty execution should not be confused.

2.1.1.2 UNIQUE HERITAGES

The Hermès integrated model is distinguished by its different tangible and intangible heritages. Creative freedom, manufacturing expertise and retailing freedom are the operating modes. Their perpetual abundance, balancing preserved tradition and renewed modernity, is a source of continuous innovation and progress. There are four types of heritage:

- ♦ **creative heritage:** the Artistic department invents new pieces, objects and patterns, and revisits its timeless models, unfettered by limits or constraints. There is no marketing department, there are no market studies. Creation is king;
- ♦ **savoir-faire heritage:** in addition to the emblematic saddle stitch, Hermès’ craftspeople are masters of characteristic skills tools that are often unique and rare techniques. The preservation of knowledge, its transmission through apprenticeships and a proactive internal training policy play key roles. This *savoir-faire* is also that of creative designers and managers. They progressively integrate the challenges of sustainable development in the way they work;
- ♦ **materials heritage:** only the most noble materials are used. Hermès monitors its supply chain very closely, chooses renewable materials carefully from responsible industries and manages their environmental impact, in particular on biodiversity;
- ♦ **retail heritage:** Hermès has developed an exclusive distribution network, – both physical and digital – a reflection of the uniqueness of the House and its creativity. The stores are oases of exceptional customer experience, freely and locally adapted to each market.

2.1.1.3 LUXURY ITEMS DESIGNED TO LAST

From the original idea to manufacture, from purchasing to the customer's use, the Hermès object follows a life cycle that reflects the uniqueness of the House and its model of sobriety in its craftsmanship. This is characterised by a reasoned development at each stage.

Creative freedom

Supervised by Pierre-Alexis Dumas, a sixth generation member of the Hermès family and member of the Group's Executive Committee, the Artistic department remains true to the inventiveness that has always characterised the House's success. Based on an annual theme, it unpretentiously proposes and renews the collection and objects. The creative designers imagine new items or revisit the classics and propose collections with unique style, while the craftspeople innovate, improving their procedures, pushing the limits of materials and ensuring they use only the necessary resources. Creative freedom, balanced by the stores' freedom to purchase as they choose, is asserted while respecting harmony and consistency.

Exceptional materials

Hermès manufactures high quality products, mainly from renewable natural resources. The House's most emblematic raw materials are leather, silk and cashmere. The Hermès Group has a tangible influence over its entire value chain, a major portion of which is managed internally, and promotes the adoption of best practices. The use of materials is optimised from creation to production, with careful use of only the essential resources, avoiding unnecessary waste and surplus materials.

Leather and exotic hides. Most leathers used by Hermès (cattle, sheep, goat) are by-products from livestock for food, to which the House is giving a second life. The most beautiful hides come from ethically raised animals. Exquisite hides only come from animals that have been treated well. Hermès uses more than 35 different types of leather to make its objects. All leathers needed are purchased directly from tanneries, without intermediaries, and come mainly from European livestock with controlled production. The vast majority of its requirements are covered by the six tanneries owned by the House, as well as by other French and European tanneries, all subject to rigorous standards. For exotic hides, such as crocodile, alligator, lizard and ostrich, Hermès is supplied by livestock farms in the United States, Africa and Australia. These farms all comply with the rules established under the supervision of the United Nations by the Washington Convention for the protection of species, and rigorous internal standards and are routinely audited.

Silk and cashmere. For these two precious materials, the Hermès Group has long-established partnerships with a small number of suppliers. For the past 20 years, this method has promoted the development of a sustainable silk worm industry in Brazil (state of Paraná) and contributed to the environmental preservation of habitats while generating activities providing regular income to thousands of families. Concerning cashmere, the wool comes mostly from China (inner Mongolia). In this specific case,

Hermès relies on an expert European partner to select farmers who operate under the most rigorous standards, controlled by local authorities and regular audits.

Other materials. Hermès uses mainly natural raw materials, often in small quantities, favouring the best sources with very high-quality materials, from producers concerned about their environmental and social impacts. The House dedicates time and resources to the knowledge, qualitative management and durability of the supply chains of its partners. Programs for improvement of the quality of their manufacturing are also carried out.

Purchasing freedom

Present worldwide, Hermès is strongly committed to the principle of giving purchasing freedom to its retail subsidiaries and stores. In this Group's distinctive mode of operation, each store directly chooses an assortment of products tailored to their local customers, based on "Podiums", the internal high points of the year at which the items and collections are presented. This has many effects – the quality of service of the logistics of the 311 exclusive points of sale is optimised, the offering is varied and appropriate, and the environmental footprint and waste are reduced.

Craftsmanship manufacturing

The uniqueness of Hermès is based on a mode of production in France that confers responsibility and is highly integrated: the Hermès Group produces more than 61% of its objects in its exclusive and internal workshops. The manufacturing sites are mainly established in France (78%), in eight of the 13 mainland regions of the country. Organised in regional hubs and by *métiers*, the leather goods sites in particular, are of human size (between 250 and 300 employees). In terms of employment, these sites promote local access to jobs, in particular through the process of recruiting "by simulation", without Curriculum Vitae, based on aptitude, in partnership with the "Pôle Emploi" employment centres. The focus is then on internal training, which guarantees the transmission of exceptional *savoir-faire* (200 trainers and 82 tutors for 17 leather goods workshops). A similar mindset prevails in the relations with service providers and suppliers: assistance, support, cooperation, long-term partnerships, in a spirit of collaboration and excellence. The average seniority of relations with the top 50 direct suppliers is 19 years. Accordingly, the vast majority of the Hermès Group's main industrial purchases (direct) continue to be conducted in France (52%) and more broadly in Europe outside of France (42%).

Exclusive distribution

Mainly manufactured in France, the products are distributed from the Hermès Group's integrated logistics platforms, the largest of which is in Bobigny (Île-de-France) on a 30,000 m² site. Some 87% of distribution is to international locations. The choice of a centralised logistical model allows optimisation of flows and reduces the environmental footprint linked to the transport of goods.

Hermès has 311 exclusive stores, including 223 branches. Online commerce, first launched in 2002, continues its stellar growth, complementing the physical network. Hermès favours qualitative development of its network, combining the embellishment and sometimes expansion of its existing stores. Special attention is given to architectural quality, social effects (quality-of-life of sales teams) and their environmental footprint during construction, including the materials, renovation and operations (lighting, etc.).

Sustainable objects

Hermès objects are designed to withstand the rigours of time. They are maintained, repaired and renovated by specially trained craftspeople in the Hermès Group's exclusive and internal workshops in France or abroad, regardless of their date of manufacture. Product longevity – inseparable from the spirit of craftsmanship – allows Hermès objects to be passed on from one generation to the next (nearly 80 employees handle a volume of 100,000 requests each year). The design and manufacture of the objects reflect a sustainable and reasonable model, a world away from excessive consumerism. Buying a sustainable product is a responsible action.

2.1.2 CONTRIBUTIVE, SOLID AND SUSTAINABLE GROWTH

2.1.2.1 CONTROLLED GROWTH FOR SOLID RESULTS

For more than 10 years, the Hermès Group has seen regular growth. This trajectory is the outcome of the House's assets: its creativity, the uniqueness of its craftsmanship model and its selective distribution, accompanied by a controlled development strategy and prudent management. The success of this model led to a 3.6-fold increase in the House's revenue over 10 years; recurring operating income grew 5-fold over the same period, while the workforce grew 1.9-fold. In 2019, the Company confirmed its robust economic health, with net income attributable to owners of the parent of €1,528 million. At the same time, the international expansion of Hermès continues. With a commercial presence in 45 countries, the Hermès Group is strengthening its network by opening seven points of sale in 2019.

Facing economic, social and environmental challenges worldwide, this craftsmanship growth model is part of the solution to the challenges of more sustainable development. It creates jobs, uses renewable raw materials that allow the creation of sustainable objects made with a small environmental footprint. For example, Hermès has one of the lowest carbon intensities of CAC 40 companies.

The development strategy is built upon:

- ♦ the attention paid to **people**, the heart of the House's business model, both those at its sites as well as its 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 the Hermès Group's activity located in France, it contributes to regional development through the creation of long-term, high-quality jobs;

- ♦ **supplies**, mainly consisting of renewable natural raw materials obtained primarily in Europe, in ways that have a low impact on biodiversity;
- ♦ **manufacturing activity**, emitting very little pollution. Craftspeople manage parsimoniously the raw materials they render sublime through their *savoir-faire*. The Leather Goods & Saddlery division account for half of the Hermès Group's sales, while the Silk, Textile (clothing) and Accessories *métiers* generate one-third of the total. More than a dozen other *métiers* round off Group revenue. The use of **subcontracting** is limited and relies on long-term partnerships. Most of its subcontractors – mainly based in France or other European countries – are closely monitored in terms of quality, ethics, labour procedures and their impact on the environment;
- ♦ while its products are made in France, they are **distributed** worldwide. Its distinctive approach in this area is the freedom we give to store managers to compose their own offerings as they see best, during the four annual meetings held for the presentation of the new Hermès *métiers*' collections (the Podiums). This method makes it possible to meet local demand closely and reduce waste;
- ♦ crafted from the most beautiful materials available and using the best *savoir-faire*, the objects that meet Hermès' high standards are, by nature, objects made to last. **Hermès objects are often passed on** from one generation to the next and can be repaired ;
- ♦ currently managed by the sixth generation of family shareholders, Hermès is aware of its **responsibility to pass on a sustainable company to future generations**.

2.1.2.2 CONTRIBUTION TO A MORE SUSTAINABLE WORLD

Buoyed by its earnings, by its financial results, sustained growth and dynamic outlook, the Hermès Group is committed to sharing the fruits of its success, always motivated by the conviction that it should give back to the world some of what the world has given it. Several examples of its accomplishments are set out below, with an exhaustive presentation of its actions detailed in the remainder of this chapter 2:

- ♦ **craftsmanship *savoir-faire***: nearly 5,200 craftspeople in France pass on to future generations skills and techniques that are often exclusive, taking part in the preservation of the *métiers* and this heritage of French *savoir-faire*;
- ♦ **long-term employment**: creating jobs, within Hermès' strategy of investment, Hermès provides long-term jobs. In 2019, the Group obtained second place in the Glassdoor classification of French employers, based on the opinion of the employees;
- ♦ **biodiversity and ecosystems**: ethical purchasing of raw materials contributes to its reasonable production. This has a positive effect on some sectors, with impacts extending to the protection of threatened species, habitats and the living conditions of local communities;
- ♦ **vitality of regions**: with more than 676 direct jobs created in France in 2019 and the opening of an average of one production site each year for six years, Hermès is active in the creation of dynamic regions, especially in rural France;

- ♦ **contributive enterprise:** a responsible player committed to the communities in which it is established, Hermès believes in the importance of developing partnerships with all regional players in an approach that is economic and civic-minded, pragmatic but systematic. Each direct job created in a rural setting indirectly leads to at least 1.5 additional regional jobs. Its established sites allow us to support, and even to re-energise, economic activity and promote, by creating economic value, local, social, civic, environmental and cultural benefits. As such, 80% of production takes place in France, thus demonstrating its positive social impact there;
- ♦ **value sharing:** the allocation of the Hermès Group's net income is constant over time: one-third goes to investments, one-third goes to shareholders, and one-third is put in reserve. The Hermès Group's effective tax rate is 33.1%. The amounts distributed to employees have been rising at the same pace as added value. Employees also share in the benefits of growth through an ambitious wage rise policy, incentives, profit-sharing and recurring shareholding plans, available to more than 13,000 employees (out of a total workforce of 15,417 employees at 31st December, 2019). The Fondation d'entreprise Hermès has a five-year budget of €40 million (2018-2023) which allows it to support new general interest projects. These projects are, moreover, in addition to more than 280 local initiatives (human and financial sponsorship, etc.), carried out directly by the subsidiaries in France and abroad.

2.1.3 COMMITMENTS THAT DRIVE DURABILITY

Hermès works to ensure sustainable development by seeking to maintain a positive contribution towards its employees, its stakeholders, and more broadly, to economic and social development, while continuing its efforts to minimise its environmental footprint, in relative and absolute value. The House, mindful of its legitimacy, also wishes to contribute to debates and serve the common interest in areas in which it may have a real impact or take concrete action. This approach has two major focuses:

- ♦ **improving operating practices** to achieve greater sobriety, resilience and integration of societal changes and environmental and climate urgency, based on the strengths of the craftsmanship model and the values of the House.
- ♦ Examples of this include:
 - ensuring the durability of the model by highlighting its assets (see 2.1);
 - continuing a high level of recruitment and training in France;
 - continuing the decoupling of energy and water consumption from activity growth;
 - launching initial actions as part of the Fashion Pact (carbon, plastic, renewable energies, biodiversity);
 - long-term societal actions.
- ♦ **advocating for different modes of production:** against the tide of mass consumption, the craftsmanship model, like low-intensity agriculture, is an approach that in itself gives voice to more responsible, sustainable and open solutions, and can help face the challenges of future transitions. For Hermès, the results of the model bear witness to its success. By identifying the distinctive features of its approach and sharing them, Hermès wishes to take part in debates and contribute to defining a future path for the necessary economic and environmental changes. This ambition echoes the transmission of values so dear to the House.

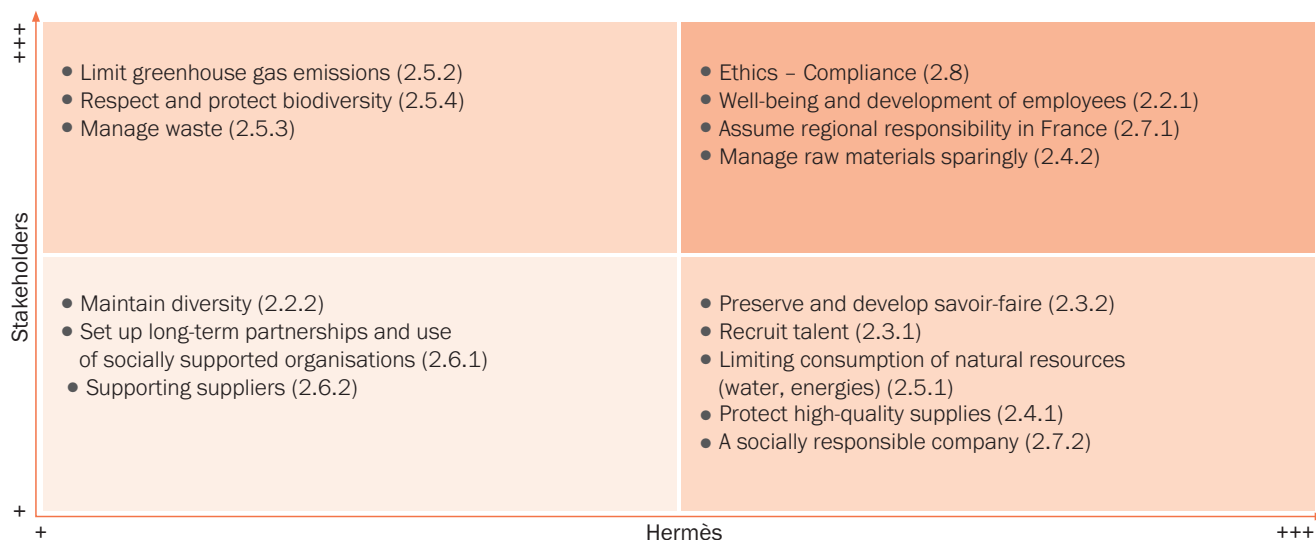
2.1.3.1 CSR CHALLENGES

In 2019, Hermès updated the materiality analysis of its principal CSR challenges. The matrix below shows the main results of this update. This materiality matrix, follow up on the work carried out for several years by the Sustainable Development Committee and the sustainable development department, together with the Executive Committee, and in collaboration with the audit and risk management department. It is consistent with the risk analyses conducted at Group level (section 1.11 "Risk factors").

A tool for structuring the CSR strategy, the matrix maps out the sustainable development challenges, taking into account the interests of each of the stakeholders with which Hermès interacts (suppliers, non-governmental organisations, regional authorities, professional networks, analysts, customers, shareholders), as well as the importance of these challenges for the Company and its business model.

Identification, assessment and ranking of challenges

This 2019 analysis involved four internal work groups reflecting the different functions of the House (production, support, retail, *métiers*) and the contribution of qualified external observers (elected officials, non-governmental organisations, specialised firms, companies, professional networks). These five groups ranked the challenges according to a dual scale of importance (for the Hermès model and more broadly for the world), as summarised in the four quadrants below (numbers refer to sections in the report):



Use of results

- the upper right quadrant of the matrix shows the subjects considered most important both by stakeholders, and for the development of Hermès. These include subjects related to ethics, human resources (employee development), society (regional responsibility) and the environment (management of raw materials);
- the major global challenges, considered foremost by the stakeholders, are in the upper left quadrant: climate change, biodiversity, waste. These themes are moreover the major focuses of the Fashion Pact that Hermès joined in 2019;
- the subjects assessed (in a relative manner) as most important for the Hermès model (lower right quadrant) are linked to its uniqueness and its original model, including human aspects (talents and *savoir-faire*), environmental frugality (purchasing and consumption), and society (giving back to the world as a responsible citizen).

These challenges are linked to the five categories of specific risks identified in the Hermès Group risk mapping presented in section 1.11 "Risk factors".

Understanding that the notion of risk itself contains an opportunity factor, Hermès uses the term "challenges" to qualify its CSR approach in this statement of non-financial performance. These challenges are summarised as part of its CSR strategy, and described in more detail in the next sections of the document.

2.1.3.2 CSR STRATEGY

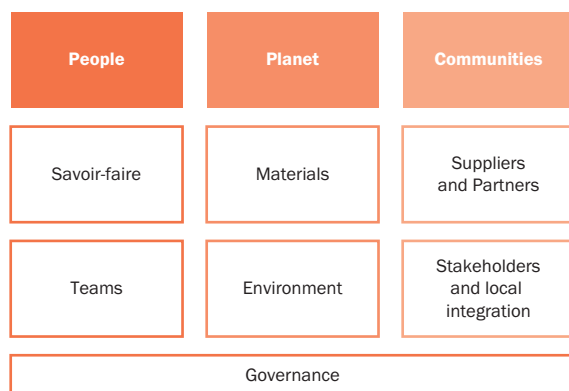
Since 2015, Hermès has adopted a CSR strategy entitled "*All artisans of our sustainable development*", the framework of our CSR strategy applicable to all employees. This is based on appropriation and implementation of the topic at a collective level, a key factor in its sustainability. The Sustainable Development Committee (see below) and the sustainable development department assist and supervise the subsidiaries and *métiers* of the Hermès Group to ensure its proper application. Three major focuses, further divided into six themes characterise this strategy:

- people.** At the heart of its humanistic values since 1837, human fulfilment is a priority for Hermès: long-term jobs with a sense of purpose, inclusiveness, diversity and solidarity; health, safety and well-being at work; balance in labour relations, these are all factors deployed by the Hermès Group on a daily basis within the Company. The preservation and transmission of employees' exceptional *savoir-faire* is a strategic challenge to secure the durability of our craftsmanship model. The development of production methods that are respectful of craftspeople and of the environment is one of the major focuses of our work. These two challenges contribute to the Group's sustainability;
- planet.** The durability of the Hermès Group's activities is based on the availability of high quality, mostly renewable materials, that are at the heart of the distinctive identity of the House, the primary condition for the high quality of its products. Hermès is constantly seeking ambitious but pragmatic solutions, with a long-term vision, to better preserve the environment. Demanding requirements and audits of the supply channels, with continuous support for their improvement; careful use of materials to prevent waste; waste management, etc., the Hermès Group is committed to improving control of its impacts

over the entire value chain, from upstream agriculture to the processes of manufacturing and distribution, until the end of life of the products. The Hermès Group pays special attention to controlling its consumption and industrial waste (water, energy, etc.), as well as to the reduction of its carbon footprint and the environmental footprint of its sites;

- ♦ **communities.** Hermès is a partner to its suppliers and the regions or communities in which they are established, strengthening its actions and enhancing its sustainability in response to the quality, ethics, employee relations, economic and environmental challenges. Although suppliers represent just a small part of its activity, they are essential to its sustainable development. More broadly, Hermès operates as a socially responsible company in the regions in which it operates, taking into account the interests of the local populations, in various forms, from investment to skills sponsorship.

The Hermès Group CSR strategy tangibly contributes to most of the 17 United Nations sustainable development goals to the year 2030. Its actions incorporate the sustainable principles of the Advanced programme of the UN Global Compact, to which the Hermès Group adheres. Details on this are provided at the end of the sections for each challenge.



2.1.3.3 GOVERNANCE OF THE CSR APPROACH

The actions of the House with respect to sustainable development are steered by a Group sustainable development department and have been supervised by the Sustainable Development Committee since 2007. They involve various functions of the Company.

Executive Management and Executive Committee: the Hermès Group management plays an active role in the implementation and rollout of the approach. Axel Dumas, Executive Chairman, is involved in many initiatives, the most visible of which in 2019 was the Fashion Pact. He also worked alongside Jacques Attali for the Positive Economy Institute, and with Entreprises pour l'Environnement (EpE). In 2019, 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). Two members of the Executive Committee sit on the Sustainable Development Committee, and are able to share key challenges within both committees.

Sustainable Development Committee: this committee validates the strategy, conducts governance and oversees CSR activities. Composed of 11 members including two members of the Executive Committee, it met five times in 2019. It includes managers from the human resources department, the industrial affairs department, distribution, two *métiers* (Leather and Textiles), and the Fondation d'entreprise Hermès. It reports to the CAG-CSR Committee of the Supervisory Board twice per year, and its meeting minutes are provided to the Executive Committee.

Group's sustainable development department: reporting to a member of the Executive Committee, it proposes and implements the strategy, and oversees the approach taken by all operating departments and the Hermès 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.

Group Operations Committee: composed of 34 representatives from the different corporate functions. It analyses and validates projects' technical and functional aspects and facilitates information sharing between its members. It met eight times in 2019.

Local Sustainable Development Committees: maintained by the main *métiers* and subsidiaries, they initiate and track the actions launched, and share them during regional meetings. For example, the Sustainable Development Committee of the Leather Goods division met four times in 2019. The managers of these Sustainable Development Committees in the Greater China, South Asia and Japan regions met for the 6th time, spending three days in South Korea. The environmental initiatives are driven more specifically by an "HSE network" in France, run by the industrial affairs department.

These bodies may be supplemented by management and *ad hoc* committees when new sustainable development projects are implemented by subsidiaries and entities. 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.

6th Asian sustainable development seminar in Seoul

2.2 PEOPLE: TEAMS

Introduction

The family business type that has been driving Hermès for six generations places people at the heart of its model. The Hermès 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 sense of purpose and autonomy. The Group human resources department makes the employee experience central to its work, and has articulated its ambition: "Contribute to Hermès' sustainable growth. Nurture its unique culture by offering an employee experience that promotes individual achievement and collective success. Through development opportunities and recognition, enable our employees to participate in the Hermès journey."

To create beautiful objects, Hermès wants to provide an attractive environment. In order to adapt the workplace to changes in cooperation patterns, which have become more horizontal and rely on proximity, the Hermès 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 on this topic, specific actions are implemented to foster well-being at work. In an effort to protect the physical and mental health of its employees, the Hermès Group has launched a diagnostic in these areas in order to create a structuring and empowering approach and continue the objective of improving the quality of working life.

Harmonious labour relations are strengthened, in France, by the Hermès Group's agreement on social dialogue and the exercise of union rights, which sees regular activity at both 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. A Groupwide maternity agreement was signed in 2019.

Sharing the company's strategy, involving employees in the life of Hermès across all its dimensions and all its living environments, and communicating results bring a unique tone to our Internal Communication, reflecting the House's creativity and vitality. As of 2018, a new global intranet – HermèsSphère – was rolled out. This new intranet provides information on life at the House several times a day, gives everyone access to collaborative tools and can be set up to provide each person with the right amount of information.

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 corporate strategy where ethics, compliance and proper business conduct are the pillars and guardians of a responsible

and sustainable performance. Thus, the Hermès Group's code of ethics, the code of business conduct (available at <https://finance.hermes.com>), the anti-corruption code of conduct, and the whistleblowing system provide to employees the framework to follow. 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 2.8 "Ethics and compliance".

Diversity is also an ingredient in the House's success, and takes different forms. The EVE programme spotlights women's leadership. For the third year, the Group disability agreement has exceeded its targets.

2.2.1 CHALLENGE: THE WELL-BEING AND DEVELOPMENT OF EMPLOYEES

The durability of the House rests on the men and women who contribute to its functioning and development. It is therefore essential to create the conditions for their well-being and development. Hermès is very demanding when it comes to the quality of its employees' working conditions and strives to enable each employee to work, develop and fulfil his or her potential and to give meaning to his or her actions, not only by safeguarding health and safety, but also within a pleasant working environment, whether at production sites, in stores or in offices. Achieving this objective involves various initiatives to improve the quality of life at work and reconcile professional and personal life, and which are most demanding and vigilant in the areas of health and safety at work.

2.2.1.1 POLICY

The Hermès 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. This policy is applied by the top management of the Group's métiers and subsidiaries. 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 its employees in the Group's long-term growth through generous programmes. As regards employee benefits, all employees are protected against the major risks of everyday life. Benefits cover the risks of mortality (accidental and all other reasons) and long-term illness, but also medical and maternity care, and retirement.

2.2.1.2 MEASURES IMPLEMENTED AND RESULTS

The diversity of the Hermès Group's métiers, from sales to production, to support functions, involves managing extremely different issues. Consequently, the Group's vision of health, safety and working environment issues involves adapting to the specificities of its activities and to local differences.

Hermès is very well ranked by Glassdoor during these two years (1st and 2nd employer respectively, according to the employee satisfaction).

In 2018, the Group human resources department launched a Health and Well-Being initiative based on a review conducted through an internal survey amongst all employees on a multi-year basis in France. The questionnaire, designed by the INRS (National Institute for Research and Safety) and the University of Lorraine, enables employees to anonymously express their feelings on various topics relating to physical and mental health, stress, the work environment, activity and organisation.

In 2019, 13 sites were involved in this approach, representing over 3,800 employees, who participated actively in this survey with a response rate of 83%. This response rate is very high and reflects high employee satisfaction.

More specifically, 88% of employees stated that they enjoy their work, and 82% stated that they are happy at the Company. In addition, 83% said they envision themselves being in the same position in two years with a similar level of health. A sizeable majority believes that the content of their work (81%) and employment relationships (89%) play a role in their sense of satisfaction. A large majority finds interest, usefulness and variety in their work, and are satisfied overall with the responsibilities they are given. Since the initiative began, 24,600 verbatim accounts on employees' likes or dislikes in their jobs have been recorded. The content of the duties is the chief asset when it comes to attachment to their work: employees like their jobs and often speak passionately about them. The areas for improvement cited relate to workload, the physical environment and fatigue, for example. Nevertheless, two-thirds of physical environment situations received satisfactory ratings.

Since the initiative was launched in 2018, a total of 6,292 employees at 21 sites have taken part, representing 66% of the workforce in France. Similar initiatives have also been rolled out in Europe, China, the United States and Japan. A total of 2,889 employees in these four geographical areas also had the opportunity to share their opinions on all topics relating to health and well-being at work. These questionnaires were sent to a total of 64% of the Hermès Group employees.

Following this diagnostic phase, the French sites set up an Observatory of Health and Well-being at Work. This determines the priorities and lines of work and coordinates the action plan via working groups, working with the Management Committee and the Health, Safety and Working Conditions Commission (CSSCT) (Commission Santé Sécurité et Conditions de Travail) of each site. The work themes selected locally are varied: time management, fatigue and physical well-being, warming-up/stretching, hazard management, repetitive strain injury (RSI), emotion management, communication, etc. Recurring themes that may fall within the Group's field of action have been identified and are dealt with in parallel on a collegial basis. Long term, this Observatory remains a reference point in the prevention and identification of risk situations relating to health or well-being. Similar approaches of analysing well-being at work, explained below, are carried out within our retail subsidiaries.

For a number of years, Hermès has also developed a policy to prevent workplace accidents, occupational illnesses and repetitive strain injury, as well as an active policy to maintain employment and prevent people being unable to work, based on a number of awareness-raising campaigns (nutrition, physical activity, etc.).

Lastly, in order to prevent the risk of road accidents during business or personal travel, a Group program has been prepared to set up a multi-year plan of practical training and awareness-raising workshops being rolled out in France.

Industrial activity

Since 2003, the industrial affairs department has been leading a Health, Safety and Environment (HSE) network comprising HSE managers from the House's different *métiers*. With around 20 members, this network 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. They go beyond simple regulatory compliance whenever necessary to aim for true well-being at work. Each *métier* has specific needs as regards working conditions, so it is logical for each one to create its own particular arrangements.

The *métiers* conduct their actions within a budgetary framework, but any useful improvement in occupational health and safety conditions, and also for environmental issues, is financed off-budget if necessary. As the Hermès Group produces 61% of its objects in Hermès exclusive and internal workshops, these actions have a significant impact on the entire value chain.

External controls

Since 2002, HSE audit cycles at the 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 Hermès Group's environmental reporting is also used to coordinate the follow-ups to these audits and monitor changes in environment, health and safety regulations, with the assistance of a specialist external body.

Leather Goods division

The Leather Goods division has the objective 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 site.

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 audits 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. This manager monitors the progress plans defined with his management in accordance with the Leather Goods & Saddlery divisions' policy. The HSE manager deals with everyday occupational Health and Safety matters, working closely with the cross-functional teams (maintenance, occupational health, etc.).

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.

In order to structure the approach, a Health and Safety at the Workplace roadmap was developed by the Hermès Group management and is based on six strategic areas for 2018 to 2022:

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

With this in mind, 26 action plans, covering all leather goods workshops, were piloted in 2019.

One of the priorities of this roadmap is the fight against repetitive strain injury (RSI). Among the 2019 initiatives, it is worth highlighting the roll-out of new tools to reduce physical stress in strict compliance with *savoir-faire*, as well as the implementation of an innovative protocol using new technologies to measure the bio-mechanical impact of each gesture made by craftspeople on a daily basis. For the second consecutive year, the ergo-motricity module, whose objective is to better prepare the body and to accompany the demands inherent in the specific activities of the saddler and leather worker, was used and given to 890 craftspeople. For the record, there are assistance systems (exoskeleton) in place in some workspaces that require it.

Moreover, in 2019, special attention was given to the prevention of workplace accidents linked to interventions by outside companies on leather goods sites. New methodologies were developed and more than 75 Leather Goods & Saddlery division's employees were trained through a two-day module.

Among the many actions implemented to protect the health of employees and external workers, individual support by a network of partner physiotherapists is offered to craftspeople suffering from detrimental pain or discomfort in their professional or personal life, within a preventive or corrective framework. In 2019, more than 1,150 craftspeople followed these individualised 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 craftspeople before

and after the programme). As an example, the craftspeople who followed this programme saw an average 16% increase in the range of motion of their shoulders.

A long-term occupational health approach has been built with a network of experts at national level, through a training module introduced in 2015 called "A Body for Life" which aims to disseminate a better understanding of one's body. This module was given to all craftspeople at the production units and to the employees of the support functions (more than 3,800 employees). It constitutes the founding step in a commitment to healthy living every day. Each new employee joining the Leather Goods & Saddlery division follows this module: 234 people took this module in 2019.

Several local events allow employees to get involved in health and safety issues. For example, a "Health & Well-being" week was carried out at the three production units of the Franche-Comté division, focusing on three areas: Prevention, Nutrition and Physical Well-being, with 10 different workshops (yoga for eyes, SOS hands, vitamin boost, nutrition, etc.) presented to all employees. At the production unit in Sayat, a health day included a shiatsu workshop, a conference on sleep, screening for visual impairment issues, and a round table on diet.

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. For example, stretching and muscle-building courses, the provision of masseurs (leather goods site in Nontron) or the organisation and constitution of teams to take part in local sporting and charitable events. Equally, each leather goods site offers muscular awakening sessions or compensation exercises at the start of and during work.

Lastly, actions to improve the machine fleet, which began in 2014, are continuing, with noise reduction as a major objective. 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. In 2018, a soundproofing system for digital cutting equipment was introduced on the Pierre-Bénite site, making it possible to reduce the ambient noise level, for the artisan cutter, by 7 dBA in the spectral bands between 1,000 Hz and 4,000 Hz. In 2019, it was rolled out in five other leather goods sites.

Workbench lighting, which contributes to reducing the visual fatigue of craftspeople, and thermal comfort management in workshops are also two issues central to the concerns of the Leather Goods division's workshops and benefit from substantial investments.

Tanning and Precious Leathers division

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. These actions are overseen by dedicated Environment, Health and Safety (HSE) officers at each production site, with the support of Site Managers. 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 external advisers in the safe transport of hazardous goods. They are responsible for helping prevent risks to people, property or the environment.

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.

These training sessions complement the risk prevention initiatives carried out by site management teams as well as the various initiatives to improve working conditions carried out during the year. By way of example:

- ◆ improved workspace ergonomics with modifications to production equipment (e.g. mechanically driven dry hide hooking and unhooking devices) or testing of exoskeletons in order to facilitate the carrying of loads;
- ◆ roll-out of long-term occupational health programmes with “Pro RSI” approaches (Repetitive Strain Injury), in collaboration with regional Carsats (*Caisse d'Assurance Retraite et de la Santé au Travail*), and training modules by physiotherapists on the prevention of RSIs;
- ◆ improved machine fleet safety;
- ◆ improved air collection, extraction and renewal mechanisms in the workshops;
- ◆ reduced noise pollution in workspaces;
- ◆ regular communication campaigns on site;
- ◆ improved safety on sites when renovating buildings.

This year, all tanneries continued to optimise the management of chemicals and the substitution of certain substances in order to not only take into account but in particular to anticipate future developments REACH (Registration Evaluation Authorisation and restriction of CHemicals) regulations, POPs (persistent organic pollutants), biocides, etc.) as well as programmes to measure employee exposure to certain chemical agents.

In addition, performance criteria for occupational health and safety at work are included in the tanneries' incentive scheme agreements in order to underline their importance and to support team motivation.

Farms (United States and Australia)

Actions relating to environmental, health and safety issues are steered by local management teams, assisted, if necessary, by specialist consultants. They also benefit from the expertise of the Tanning and Precious Leather division's industrial department.

Furthermore, in order to strengthen the safety culture and the prevention of occupational risks on livestock farms and processing sites, external audits with specialised consultants and the widespread roll-out of “safety moments” by management were introduced in 2019.

During the year, livestock farms continued their work on assessing occupational risks, creating operational instructions, training employees, designing work and storage areas, managing chemicals, formalising controls or holding meetings to raise awareness of HSE issues.

Textile division

2019 was a year for the sector to consolidate the changes initiated since 2017. The new organisational structure puts the office manager and local coordinator at the core of HSE projects, thus allowing everyone to be an actor and driver of progress at their own level and take on HSE topics and champion them with confidence. In order to strengthen this organisation, the workforce has evolved, with two new nurses at Société d'Impression sur étoffes du Grand-Lemps (SIEGL) and for ITH/HTH as well as the appointment of an HSE officer for the HTH establishment.

HSE network half-days are organised every six months to bring together HSE coordinators and Site Managers to discuss progress and difficulties and share any new strategic directions. During these meetings, the establishments assess their level of adherence to the HSE charter for the sector in order to determine future priority areas of work.

The sector's HSE charter enables sites to have a clear vision of the key rules and fundamental values to be developed in order to improve their performance in terms of safety and the environment. It is based on four fundamental pillars:

- ◆ strengthening and anchoring the HSE culture through training days for Management Committees and establishment managers, and by workshops to exchange ideas with teams. Various complementary actions have been implemented within the establishments: safety information points, integration of Health and safety criteria into incentive scheme plans, display of best practices, postures and golden rules;
- ◆ risk management and control: the sectoral prevention plan was reviewed and improved in 2019. It is based, notably, on chemical risk assessment software used on all sites in the sector, audits carried out by an external firm, the involvement of insurers who also participate in risk anticipation, and an external consultant for the transport of Hazardous Materials. Training or awareness-raising activities were provided during the year and the sector offers awareness sessions on life-saving gestures to employees other than Workplace First Aiders;

- ♦ control of regulatory compliance: monitoring the compliance of equipment and machinery in the sector was the priority for 2018/2019. In September 2018, all site directors and maintenance managers were brought together to set up a joint action plan for the long-term monitoring of the upgrading of this equipment. The first stages of the project took place in the first half of 2019: completion of an exhaustive and shared inventory, drawing up of all control reports by an external body, identification of any anomalies. The second phase consists of dealing with each of the possible cases of non-compliance and drawing up a single equipment tracking document. More broadly, a monthly digital newsletter on regulatory changes and significant innovations has been developed with the HTH monitoring unit and is distributed to all HSE players;
- ♦ RSI prevention (Repetitive Strain Injury): the sector works with physiotherapists and ergonomists who have made a major contribution to the development of workspaces (assistance in handling printing frames at Ateliers Gandit, redevelopment of storage and picking areas at ATBC and Créations Métaphores, modification of schedules and optimisation of production flows at the AEI site). Numerous other local initiatives have made it possible to limit employee exposure and improve the ergonomics of their workspaces (handling equipment and trolleys, tracks, hoists, posture review, height-adjustable desks, etc.).

Home

At CATE, as part of a renovation project at the Nontron production unit in Périgord, all activities were transferred to a temporary site. When the activity resumed after the move, a new HSE reception desk was set up for all employees to support the change.

At Beyrand, the global HSE action plan, implemented in 2018 to update the main regulatory files, was continued with various measures aimed at strengthening safety in terms of fire protection, compliance of the machine fleet, improvement of individual and collective protective equipment, and highlighting of risks.

Furthermore, a new "Inkjet on Leather" printing line was set up in 2019 with strong HSE support, from the development work stage (prevention plans, partial asbestos removal, declaration of modification to an ICPE – Installation Classified for Environmental Protection) to the launch of production (machine specifications and compliance, job descriptions and operator certification).

Among the priorities and actions carried out by the *métier* in 2019 to continue to improve health and safety conditions for its employees, it is worth highlighting the following:

- ♦ development of the HSE culture: through numerous actions to mobilise management and train operators;
- ♦ RSI prevention (Repetitive Strain Injury): continuation of work to improve workspace ergonomics, and RSI risk training in all of the division's companies;

- ♦ limiting the exposure of employees to hazardous chemicals: research into substitute products (study launched at Beyrand on screen cleaning solvents during printing operations, significant reduction in ethanol consumption in the finishing division workshop at CATE), improvement of storage in accordance with the recommendations of the insurer and ICPE regulations (Beyrand), air quality monitoring campaigns (at Beyrand, as a result of measures taken since 2017, employee exposure levels have been significantly reduced to an average of around 10% of the Occupational Exposure Limit Values), as well as chemical risk training on the shop floor (CATE).

Cristallerie

Management's commitment to health, safety and the environment is formalised in a policy. In 2019, HSE topics at the Cristallerie Saint-Louis were coordinated by a safety facilitator, a nurse, an environmental engineer, and a technical Health, Safety and Environment manager.

In 2018, the Cristallerie Saint-Louis launched a diagnostic process with the help of an external consultant. This diagnostic involved all the company's employees and the conclusions were submitted at the end of 2019. It resulted in the preparation of a roadmap that will be rolled out in 2020.

Several initiatives to improve working conditions were implemented. The most significant are the renovation of the composition workshop, the renovation of the "paperweight" workshop, the installation of ergonomic workspaces for packaging customer orders, the improvement of restrictive and repetitive operations in the hot-part sector, assistance in carrying loads and the reduction of lead exposure. A "lead committee" was set up on this theme, made up of workshop managers, members of the Health, Safety and Working Conditions Committee, the HSE team and the company's management. As regards the regulations relating to arduous working conditions, production units are still affected by the "alternating shift work" factor, in particular the fusion workshop and the tailoring workshop.

The update of the chemical risk assessment of the production units made it possible to specify the level of exposure of certain homogeneous exposure groups (HEG). A sampling campaign carried out in June revealed the positive results of the actions previously carried out and made it possible to identify additional actions to be implemented (vacuuming of workspaces in the "hot-part" workshop, optimisation of process settings, suction dedicated to the "cold-part" sanding workspace, new operating instructions for raw materials from the composition workshop, etc.).

Perfumes

In 2018, CNP began to set up an integrated management system (IMS) based on ISO Quality, Safety and Environment standards in order to improve the reliability of risk assessment and control in all departments of the organisation. This IMS is supported by the industrial department of CNP and brings together all employees around a common company project. As part of its implementation, 15 employees were trained on the IMS (ISO 9001, 14001 and 45001) and BPF (Best Manufacturing Practices) standards and the audit methodology, with the aim of acting as internal auditors.

The main actions carried out in 2019 were the definition and communication of a QSE policy associated with objectives defined according to four pillars: the quality of products and services, the quality of life at work, the safety of installations and transportation, environmental concern.

As every year, all employees underwent training in the handling of fire extinguishers. In addition to annual refresher courses, an initial training session was held to recruit new Workplace First Aiders.

The launch in January 2019 of a new activity (the cosmetics workshop dedicated to the production and packaging of bath products), was accompanied by work on topics related to BMP (Best Manufacturing Practices) requirements, in particular on flows (materials and personnel) and changing and hygiene measures. All employees were trained in these new rules.

Actions to promote well-being at work include: the launch of an initiative to improve the quality of life at work for all employees through a survey on psychosocial risks and disorders. This work will lead to the organisation of focus groups and proposals for action. CNP has also embarked on the development of a Mobility Plan aimed at analysing current employee practices and reducing and optimising the use of private cars by proposing alternative solutions (provision of five electrically-assisted bicycles, participation in the setting up of a future inter-company car-sharing platform). To improve everyone's comfort, soundproofing work was carried out in the company kitchen and restaurant, the floor of the perfume packaging workshop was covered with antistatic tiles, and a changing room with air lock and a communication area were added.

Among the health and prevention actions, the nurse has set up seated massages and, as a tobacco addiction specialist, offers personalised support to employees who wish to stop smoking.

Furthermore, CNP continued its efforts to improve existing facilities with regard to the Atex risk (explosive atmospheres) and the ventilation of premises, to reinforce sprinkler installations and to modify the Fire Safety System.

The Jewellery division, faced with strong growth, has launched a major project on workspaces to invent new ways of working and creating, while prioritising quality of life at work, health and safety.

Retail operations and other functions

Support

In order to promote a better balance between personal and professional life and to ensure the right to disconnect, an awareness-raising campaign entitled "Find time – making good use of e-mails and meetings" was rolled out in France. Based on a communication kit, this approach aims to help define common communication methods, rethink the format of meetings and allow everyone to save time. Aware of employees' housing difficulties, Hermès signed a national agreement in 2019 with "*Mieux loger vos salariés*" (Better housing for your employees). Various

measures are offered to employees in order to provide the best possible support for their daily work. At Pierre-Bénite, a concierge service has been making life easier for the Leather Goods and Textiles divisions' employees for several years. At Hermès Femme, "Friday Free Time" continued with 10 monthly sessions open to all employees on a variety of themes (philosophical and cultural conferences, culinary workshops, yoga, massages, etc.), reaching a total of more than 500 participants.

Distribution

At Hermès Distribution France, a training module entitled "Balance and Energy", piloted by 27 employees, provides guidelines and fundamentals for understanding stress levels and identifying limits. In the same division, in order to promote relaxation among sales associates, 150 massages given by blind people were offered in seven stores. At the initiative of the subsidiary's sustainable development ambassadors, wellness briefings have been organised in certain stores (initiation to meditation, breathing exercises, stretching, etc.).

In Spain, an internal study analysed the operating methods of the stores and headquarters to identify the levers for a better work/life balance, and resulted in the granting of two additional days of leave.

Massages were also introduced in December at Hermès Benelux Nordics to support the heavy workload inherent to this period.

In Germany, an occupational health programme is rolled out through various actions.

Within Hermès Distribution Europe, a Europe-wide commitment survey led to the creation of working groups on various topics. A right to disconnect campaign is also being rolled out there. Organic and seasonal fruit baskets are also offered regularly.

Hermès Of Paris, in the United States, as part of a global vision of well-being, ensures physical, mental and financial fulfilment through various yoga programmes, meditation, self-defence classes, flu shots, and a "health fair" in New York (nutrition, aromatherapy, ergonomics, fruit and teas, massages, mini-seminars, etc.). In October, a month dedicated to the health and well-being of employees, the subsidiary co-finances any individual action taken in this regard.

In Japan, all employees have a mandatory annual medical check-up (exceeding regulatory requirements). They were also asked to participate in two surveys. The first was on their commitment to work (94% response, 718 employees) and the second, already conducted in 2018, on managing stress in the workplace (98% response). Yoga classes are offered in many departments and relaxation areas have been introduced in offices.

Construction

In 2019, the Hermès Group initiated a process aimed at gradually providing all occupied buildings with air quality that guarantees concentrations below the levels recommended by the WHO in respect of the main pollutants.

In China, the Hermès stores in Shanghai IFC, Xiamen, Qingdao Hisenze Plaza and Harbin Charter are the first in the country to be equipped with systematic pollutant measurement systems and high-performance air filtration systems, enabling a reduction of approximately 90% in incoming particles.

In 2018, an office building in Paris was collectively redesigned. This new location was an opportunity to introduce a pro-active approach to “well-being”. The building houses 166 employees from the digital teams, sales departments, real estate, sustainable development, general services, the Fondation d'entreprise Hermès and Cultural and solidarity action.

The aim was to design the space in such a way as to make it a pleasure to come and work together in the offices, and to ensure that the building serves the organisation. Co-development workshops on well-being were held to:

- ♦ identify what the employees needed to feel well, and their answers showed that they expected warm materials, colour, spaces to meet, and unique spaces;
- ♦ define how furnishings could help them in their daily work and their responses called for more flexible, personalised spaces that respond to the diversity of uses, with particular attention paid to furniture and IT tools.

The aim was therefore to make offices a living space. In the HQE renovation-certified building, the refurbishment took into account:

- ♦ local sourcing, the furniture and fittings are made in France;
- ♦ the use of recyclable materials, including wood from the fair trade sector;
- ♦ eco-actions: responsible management of energy (LED lighting, presence detectors) was put in place with general affairs department, together with waste sorting and collection, a “zero paper” approach facilitated by shared printers, and recycling (with some office accessories designed from leather recovered offcuts).

In order to make the collaborative approach comprehensive, a feedback questionnaire was distributed among users five months after installation. Overall, 90% of employees expressed general satisfaction with the new workspaces, 84% were proud of their new spaces, and 93% considered that the objectives had been achieved.

Organisation of working time and schedules

Each entity manages its working time in compliance with the applicable regulations 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 worldwide work full time; there are 779 part-time employees. The Hermès Group respects working-time limits and minimum breaks for the various activities and in line with local regulations.

Various working time flexibility schemes have been established. For example, for leather goods, (47% of the workforce in France), craftspeople organise themselves at each workshop according to flexible schedules. Many production units benefit from flexible working hours,

giving employees more versatility, for example allowing parents to pick up their children from school (Sayat). These time slots are extended in the event of external constraints (heatwaves, strikes, etc.).

Agreements on flexible working hours (Beyrand) and the introduction of individualised flexitime (Hermès Commercial) have been signed. At CATE, it is possible to accumulate working hours to benefit from additional days off. In addition, an agreement allows senior employees and people with disabilities to be exempted from overtime.

In order to take into account the impact of staggered working hours at certain production sites, a Sleep and Food training course has been provided at ATBC. Following the introduction of 2x8 working shifts, group feedback with an occupational psychologist was encouraged at AEI.

Given that 84% of employees are either craftspeople or work in stores, teleworking is less significant than in other industries. It is examined on a case-by-case basis, according to need, particularly in France. In Switzerland, teleworking is regularly used by half of the employees at headquarters, within a limit of three days per month. In England, teams also benefit from home office opportunities.

At Hermès Of Paris, all employees with more than 10 years' seniority are now eligible for five weeks' vacation.

In Asia, subsidiaries such as Hermès Asia Pacific encourage employees to take time off and ensure that they do not accumulate overtime. A “Well-being” program is also offered to employees there, as well as in Taiwan. In South Korea, annual training is provided to limit the risk of burnout. Bearing witness to this, Hermès Asia-Pacific was awarded the “Caring Company” for the second year by the Hong Kong Council of Social Service in recognition of its socially responsible employer practices.

In Japan, working hours are monitored monthly and employees whose cumulate too much working hours are offered an appointment with the subsidiary's doctor. Relaxation rooms have been set up at the Tokyo headquarters, and a relaxation room was set up this year at the Tokyo Shinjuku Isetan store. Employees are encouraged to take time off work, with a minimum they must respect.

Social dialogue

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.

In France (62% of employees), social dialogue is organised on a company-by-company basis, through representative bodies and through agreements signed each year. In other countries, dialogue takes various forms, depending on local customs and regulations. The Hermès Group's code of ethics confirms Hermès' commitment to the conventions of the International Labour Organization (ILO), especially with regard to the freedom of association. In all the countries concerned, the policy is to ensure that the principles of freedom of association and collective bargaining are implemented, in compliance with local regulations. Hermès does not interfere with these fundamental employee rights.

With regard to retail operations, labour relations are supervised internationally by Human Resources Directors in the regions (or countries, depending on the size of local markets), who ensure compliance with these principles, local regulations and the application of the Hermès Group's code of ethics.

In France, 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 Hermès 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 2019, in addition to its annual meeting, this committee met several times to engage with the Hermès Group's labour relations department as part of a process to renew social dialogue. The aim of this initiative is to better support employee representatives in the exercise of their mandate in order to make them known and recognised partners. After initially working on the barriers and levers related to the various mandates, anonymous questionnaires drawn up on an equal footing with the members of the Social Dialogue Monitoring Committee were sent to all employee representatives (full and alternate representatives), managers of representatives and a panel of employees. The results of these questionnaires will make it possible to set up working groups in early 2020 to provide answers to the concerns and difficulties identified. All of these proposals will serve as a basis for the discussions undertaken in the framework of the renegotiation of the Hermès Group agreement on social dialogue and the exercise of trade union rights. Meanwhile, all companies concerned set up their SECs (Social and Economic Committees) on December 31st 2019, taking into account the reality of the organisation of the various divisions or sites. This tailor-made approach has made it possible to structure things differently according to the needs and social and operational realities of each entity. The Social and Economic Committee has replaced the elected employee representatives in the Company. It merges all the employee representative bodies, Employee Delegates, Works Council and the Health, Safety and Working Conditions Committee.

Social dialogue in France is also nourished by the annual meeting of the Reflection and Exchange Group on Healthcare Costs, a forum for dialogue set up on a voluntary basis to allow constructive exchanges on the balance and evolution of the healthcare cost regime applicable within the majority of the Group's companies.

In the various French companies, social dialogue also involves permanent 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 2019, more than 100 agreements and amendments were signed (including a Group agreement on setting up a purchasing-power bonus) 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 (SEC).

The vitality of social dialogue at Hermès was recognised on June 28th 2019 by the Ministry of Labour during a day-long event dedicated to "Successes in social dialogue". On this occasion, which was devoted to highlighting innovative agreements, Hermès was invited to speak with its union representatives about the innovative and empowering way in which its Group agreement on Disability was negotiated with all of its trade unions.

Sharing economic values

Compensation

The Hermès Group's employees compensation policy is ambitious and is based on a wide range of individual and collective compensation tools. This policy includes both short-term items and benefits, through fixed salaries, individual and collective bonuses, paid holidays and profit-sharing, and long-term items and benefits, such as employee shareholding plans granted to all Group's employees worldwide, as well as post-employment benefits (retirement benefits, supplementary pension schemes, etc.). Hermès' employees compensation policy is part of the fight against forced labour, by systematically complying with the requirement to issue a pay slip at regular intervals, explaining all legitimate deductions, and prohibiting the payment of recruitment fees paid by employees regardless of their location in the world.

Compensation levels within the various entities mainly reflect the skills and *savoir-faire*, level of responsibility and the needs of the subsidiaries and the local employment and compensation markets.

The Hermès Group's policy, both in France and abroad, is that all its employees should receive compensation that is at least equal to the local minimum. This is the case whenever required by law, and at the discretion of each country's Director of Human Resources when this is not the case.

Every year, the Hermès Group provides its subsidiaries with budgetary guidelines for compensation growth that take into account both inflation and changes in compensation levels in local markets. Particular vigilance with regard to compliance with the principle of gender equality and possible discrepancies with the market (internal and external) is systematically recommended for the performance of salary reviews. Specific budgets are granted if adjustments are necessary.

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.

Moreover, in 2019, the Hermès Group wanted to recognise the contribution of all employees to its excellent results on a daily basis through additional and exceptional measures:

- ♦ a general revaluation of €100 gross per month was granted to all 8,800 French employees; and
- ♦ an exceptional bonus in support of purchasing power amounting to €1,000 was paid to all eligible employees within the meaning of the French law, according to the agreement signed with the labour partners;
- ♦ eligible employees of foreign entities also benefited from equivalent measures with the payment of a bonus of up to €1,300, implemented in accordance with local customs and legislation.

<i>In millions of euros</i>	2017	2018	2019
Total payroll	639	695	777

The Hermès Group's payroll (excluding profit-sharing and incentive schemes) was €777 million in 2019, compared with €695 million in 2018, plus €242 million in social security charges.

Payroll costs (excluding exchange rate impact) reflect increases in both workforce and salaries in all geographical areas.

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 Hermès Group in a harmonised manner.

Incentive agreements are also in place at each French Group companies. These agreements, concluded for a period of three years, aim to involve employees in 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, as well as sustainable development objectives.

In France, €87.3 million was distributed in incentive and profit-sharing schemes, and €3.2 million in employee support activities, compared with €81.6 million and €3.5 million in 2018 respectively.

<i>In millions of euros</i>	Incentive schemes	Profit-sharing	Total
2017	26.1	44.6	70.7
2018	33.4	48.2	81.6
2019	34.2	53.1	87.3

Employees of foreign entities (38% of all Group employees in 2019) also benefit from a range of regular additional compensation initiatives in line with performance and local customs.

The compensation paid to Corporate Officers is shown in chapter 3 of this document.

Other employee benefits

Hermès, the vast majority of whose employees work in OECD countries, applies at the very least regulations on working hours and minimum wages in compliance with ILO conventions.

In addition to the fixed and variable compensation paid to employees, the Hermès Group provides health insurance and welfare benefits not only in France but also in other countries where it operates.

In 2019, the Hermès Group put a comprehensive maternity policy in place, which includes maintaining full basic pay for at least 16 weeks' maternity leave and covering 100% of maternity-related healthcare costs.

In terms of social protection, the Hermès Group's policy is to encourage the implementation of voluntary coverage that supplements the required legal schemes, based on local market practices.

Furthermore, several years ago, Hermès set up a supplementary defined-contribution pension plan under a collective agreement for all eligible employees¹ in France. This plan enables employees to build up individual savings for retirement. It represents a total volume of €6.7 million in contributions, over 90% of which financed by the employer.

In addition, for the Hermès Group as a whole, as detailed in Note 28 of the consolidated financial statements, the Group's total commitment in terms of post-employment and similar benefits was €288 million in 2019.

Employee shareholding plans

Faithful to its family tradition and wanting to involve all employees worldwide in the Group's medium- and long-term growth, Hermès has historically implemented several employee² shareholding plans, notably free share plans in 2007, 2010, 2012 and 2016.

The desire to recognise the commitment of employees, who are key to the success and outreach of the House, by sowing the seeds of its long-term success and cultivating the exceptional *savoir-faire* preserved and developed within the Hermès Group, led Executive Management to decide to set up a fifth free share allocation plan on July 1st 2019 (pursuant to the authorisation granted by the Combined General Meeting of Shareholders of May 31st 2016, in its 15th resolution). Under the 2019 collective plan, each eligible employee² throughout the world thus received rights to free shares.

All of these plans send a single message to 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 Hermès Group strategy;
- ♦ to acknowledge the contribution made by all employees, whatever their role, 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.

1. Subject to fulfilling the eligibility criteria, in particular in terms of seniority.

2. Condition of uninterrupted seniority on the date of grant.

Moreover, the free share allocation plans implemented in 2019 were aimed at more than 13,000 Group employees across all of the House's entities around the world and involved a total of 500,544 shares. In order to promote, on the one hand, the loyalty of employees over the medium and long term, and on the other, collective performance, these plans are accompanied by:

- ♦ vesting periods of at least four years;
- ♦ conditions of presence;
- ♦ performance conditions (for a portion of the allocation).

The Hermès Group's ambition is to continue to associate all its employees in a unique way with its corporate project by strengthening employee shareholding with the award of five free share plans since 2007. The vast majority of employees who become shareholders through these employee shareholding plans keep their shares well beyond the mandatory vesting and holding periods (in France, where applicable). At the end of 2019, more than 80% of employees held rights that were vesting. Accordingly, they continue to be involved in the Hermès Group's governance and operations over the long term, in a spirit of mutual trust with the House.

Sharing corporate values

A pillar of Hermès' coherence and uniqueness, this desire to share values, which strengthens the sense of belonging and enhances understanding of the business model, is driven by three main challenges: facilitating adherence to the corporate project, informing and enriching the employee experience, bringing the culture to life and driving collective dynamics.

Facilitating the adherence of employees to the corporate project

Hermès International designs a number of internal communications initiatives with the aim of mobilising people around a vision of transformation and accompanying projects in the craftsmanship and retail divisions, as well as in the *métiers* and support functions. On these important occasions, recognition of each individual's contribution is emphasised, thereby reinforcing pride in belonging to the Hermès Group. Some 2,500 French employees were brought together in this way in Paris in June for a Forum H.

In March 2019, the Hermès China Forum brought together 500 employees from North Asia in Chengdu to share the Group's 2018 review and its development ambitions, as well as the region's major achievements and projects.

In 2019, a seminar in Athens brought together more than 200 people involved in the creation and collections' development. The aim was to unite them around Hermès' vocation as a creative house and around the new challenges in the collection development process.

Support

Each month, Hermès Commercial offers "Les Mardis d'Hermès Commercial" lectures on topics related to the division's activity in order to closely involve the teams. A quarterly plenary session provides an opportunity to present the division's results and to highlight current projects. Within the division, programmes such as "Discovering Hermès Commercial" and "Logistics from A to Z" give employees a broader view of the activity in which they work. The division also hosted 22 people from Hermès Distribution France teams for a day.

Every year, Hermès Services Groupe invites all its employees, i.e. over 200 people, to the "Printemps des Services" seminar, an important opportunity to share the life of this division, whose mission is to make life easier for operational departments by offering them a wide range of services. In addition, Hermès Services Groupe shares information with its employees through quarterly plenary meetings.

Craftsmanship and métiers

In 2019, the Leather Goods & Saddlery division celebrated the laying of the first stone of the Maroquinerie de Guyenne, the 30th anniversary of the production unit in Pierre-Bénite, and the 100th anniversary of the Ganterie de Saint-Junien, in the presence of one or more members of the Executive Committee and the division's Management Committee. In the Textile division, which organises an annual luncheon for new managers, Holding Textile Hermès celebrated the laying of the first stone of the Passerelles project, a programme to redesign the premises dedicated to the teams in charge of running the sector in Pierre-Bénite. Ateliers AS took advantage of the *Fête des imprimeurs* to celebrate the seniority of 33 employees. Furthermore, two internal newsletters promote the sharing of information with employees: "*Papier de Soie*" for the ITH site, which brings together the companies Gandit and SNC in Bourgoin Jallieu, and "*L'imprimé des terres froides*" for SIEGL. Within the Tannery division, the Tannerie d'Annonay allows craftspeople in the shoes of another craftsman to discover their *métier*, thereby fostering discussions and mutual understanding of the other's world. In Montereau, the tannery and the new leather goods site work closely together to streamline information channels. The managers of the Montereau and Vivoin workshops regularly travel to their respective sites to nurture their expertise and practices. Every month, Hermès Femme brings all employees together for a general information meeting. The subsidiary also organises a monthly luncheon for new employees to meet with the managers of the *métiers*. Lastly, an annual day to share and explore the division's *métiers* brings together all of the employees. The Perfumes division ensures that internal information flows smoothly, in particular through three annual information meetings. The end of 2019 was marked by a meeting in Paris with all Pantin and Vaudreuil employees, a total of approximately 400 employees. Twice a year, the Watches division brings all its employees together in Bienne to present its strategy, projects and events, and new product launches. In addition, the subsidiary publishes the newsletter "*Au fil du temps*" twice a year, distributed to all employees. The Hermès Chaussures Italie site, a 4,000 m² workshop dedicated to the development and production of prototypes and samples of shoes, as well as the manufacture of certain models, was inaugurated on June 19th and welcomed 80 members of the Hermès family in October. The team at the petit h division celebrated its 10th anniversary together in Paris. Finally, the Home division brings the teams together every six weeks for a communication morning.

Retail

In France, Hermès Distribution France employees participate in Opentime@HDF, a quarterly event that offers a time for dialogue and cultural openness for all, with conferences followed by discussions. Hermès China organises four meetings a year to launch in-house projects, celebrate the two traditional Chinese festivals and thus cultivate a sense of belonging. Members of the employees' families are also involved in the life of Hermès through "H Family Day": for the second edition, in 2019, 200 participants in Shanghai attended a festival of

music played by employees. Hermès Asia-Pacific has set up the “HR in Touch” programme, which enables each member of the human resources team to experience sales to gain a better understanding of the retail métiers, and to be available on the ground to answer employees’ questions. Hermès Asia South encourages exchanges between store managers through the “H Change” programme, through which they can enrich their practices by drawing inspiration from those of another team or market, while enhancing their own experience of retail and team leadership. The “Happy culture” internal communication system is designed to recognise the loyalty of employees who have been working directly with customers for more than 10 years. In 2019, 37 employees were celebrated.

Every month, the Hermès GB subsidiary brings its employees together for a “What the Hermès?” breakfast during which each department informs the others of what it is doing.

The annual Hermès Of Paris meeting was held in New York over a day and a half. It brought together 700 employees from all over the country for a moment of sharing and celebration. Particular attention was given to people who were newly hired or promoted during the year.

Hermès Italie’s Hermès Day brought together 165 employees for a day that was entertaining, cultural and focused on the subsidiary’s results, with discussions on the present and the future.

Hermès Russia maintains close ties with its employees through round-table discussions with the sales teams.

Bringing culture to life and animating collective dynamics

Each year, 80 craftspeople from the different divisions in France are invited to discover the new collections presented at “podium” (an internal trade show attended by all the store managers and the métiers presenting their collections). This is an opportunity for them to develop their understanding of the House, complemented by a visit to the Conservatoire des Collections Hermès, the Collection Émile Hermès and the Faubourg Saint-Honoré store.

In March, 800 employees from the Paris region, as well as horse-riding enthusiasts from sites in the provinces, were invited to the Saut Hermès and were able to attend the first rounds of the competition.

In December, 2,500 French employees were invited to a large party at the Centre Pompidou. It was an excellent way to bring people together and recognise their achievements. On this occasion, 124 employees were celebrated for their 25, 30, 35 or 40 years’ seniority in the House (long-service medals).

Informing and enriching the employee experience

It is key for Hermès, in a context of strong growth that risks leading to compartmentalisation of departments, divisions and subsidiaries, to foster and cultivate cross-functionality through exchanges within activities to ensure quality relationships are forged between people and that the work they undertake is meaningful. These events, communication resources and networking operations concern all métiers.

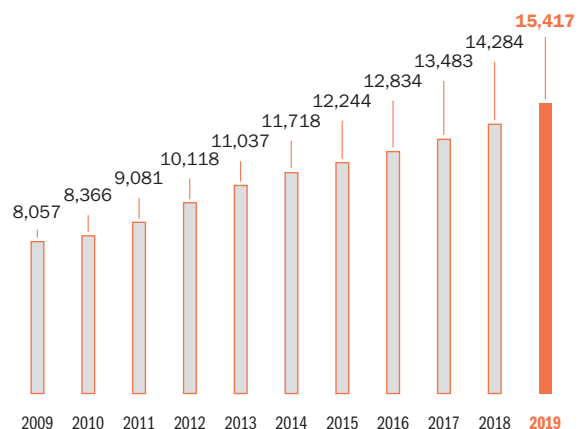
HermèSphère, the intranet launched in autumn 2018, has spread the news of its arrival widely. This entry point enables more rapid access for employees to tools that save time and boost work efficiency. As a place that presents the Hermès Group’s organisation, métiers and professions, it helps to integrate new hires. News articles are published there every day in order to involve employees in the life of the House in real time. With the launch of the Mobile Application in January 2019, access to HermèSphère has been expanded. A registration portal has been made available to craftspeople, who are gradually discovering the platform.

In 2019, Hermès of Paris also joined the HermèSphère ecosystem with the introduction of local editorial content aimed at American employees.

Lastly, newsletters published to keep employees informed of their subsidiary’s latest news include Hermès Iberica’s quarterly newsletter *Hpeople* and Hermès Australia’s *Flash* real-time service.

2.2.1.3 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 nearly 91% over the last 10 years, the Group’s global workforce totalled 15,417 people as at December 31st 2019.



Employment

The Hermès Group created a net 1,133 jobs in 2019, including 676 in France. As has been mentioned, the Production sector saw the most growth, with the creation of 481 additional jobs (323 in 2018), in order to increase production capacity and to protect *savoir-faire* and sources of supply, closely followed by the Retail sector, with 388 additional jobs created (310 in 2018).

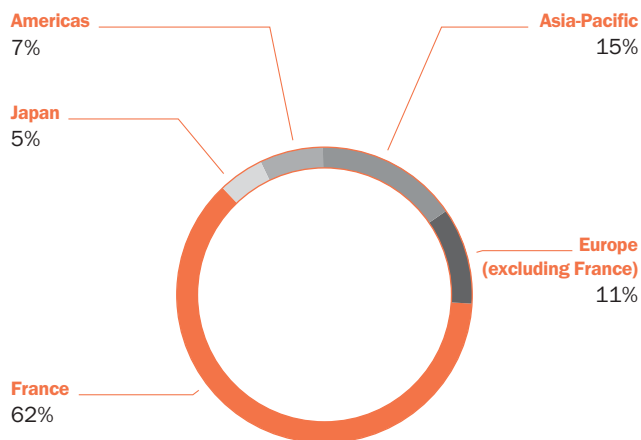
Employment creation was significant in existing production regions, particularly in the South-West, Savoie Dauphiné and Franche-Comté divisions, where two new leather goods facilities were opened.

The last 10 years have not required the Hermès 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 193 people in 2019 (91 in 2018).

The seven new stores in Tokyo Niigata Isetan (Japan), Orlando (United States), Phuket Floresta (Thailand), New York Meatpacking (United States), Xiamen (China), Stuttgart (Germany) and Warsaw (Poland) contributed to headcount growth in 2019.

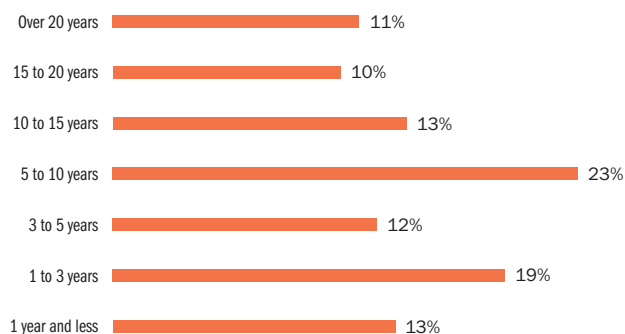
Hermès ambition is to ensure jobs security recruiting as much as possible permanent contracts. Concerning employee turnover, the total number of dismissals represented 1.3% of the Group's average global headcount.

BREAKDOWN OF JOB CREATIONS BY GEOGRAPHICAL AREA



Seniority pyramid

Average seniority is nine years and 44% of the Hermès 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% (4.1% in 2018). 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 or 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 understand 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. These specific action plans consist, for example, in adapting workspaces, or putting in place preventive measures aimed at enabling pregnant women to remain in employment, if they so wish, until the start of their maternity leave (see gender equality chapter 2.2.2.2).

Workplace accidents

The diversity of the Hermès 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 are a key priority for all of the House's managers.

In 2019, the frequency rate of workplace accidents with stoppage for the Group as a whole stood at 10 for a severity rate of 0.45. 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 14.35 with a severity rate of 0.71, compared to 12.37 and 0.55 last year. Our industrial workforce represents 68% 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 4.3 and the severity rate was 0.11.

Leather Goods division

In the Leather Goods division, the frequency indicator for workplace accidents with and without stoppage in relation to activity improved by 3% between 2018 and 2019.

A study is carried out with an analysis of the causes, and the conclusions 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.

Textile division

The Textile division ended financial year 2019 with a frequency rate (rolling 12 months) of 12.32 and a severity rate of 0.86. These results spur efforts to continue vigilance by increasing cross-cutting communications on the number and nature of accidents. Currently, each significant incident is thoroughly investigated, leading to corrective actions. In due course, these actions will be shared among sites so they can all benefit from each other's experience. Lastly, the recent roll-out of the new accident and occupational illness management software offers all sites a single system to declare and share this data, which will allow us to monitor and communicate our accident rate accurately.

2.2.2 CHALLENGE: MAINTAINING DIVERSITY

Maintaining diversity in terms of people and talents is the foundation of the House's wealth and creativity. The Hermès Group is committed to the principles of recognition and respect, irrespective of one's origin, gender, family situation or *métier*. The diversity policy is overseen by a member of the Executive Committee in charge of Governance and Organisational Development. It is based on the values and ethics of the House and on the actions overseen by the Group's human resources department.

2.2.2.1 POLICY

The Responsible Employer policy implemented in the Hermès Group aims to further actions to enhance the development of its employees', the foundation of the House's economic performance. Attaining these two interlinked 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 employees in all their diversity by developing practical actions in favour of vulnerable people, in particular those with disabilities or the long-term unemployed, senior workers, and people from visible minorities or disadvantaged neighbourhoods and areas.

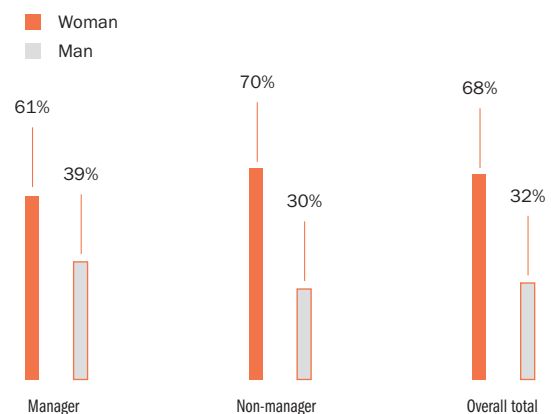
The policy consists of establishing conditions that provide equal opportunity in terms of recruitment and employment, under its various components, and refraining from any form of discrimination. You are reminded that, under French law, this means avoiding any situation in which, on the basis of origin, gender, family situation, pregnancy, physical appearance, particular vulnerability resulting from a person's economic situation, apparent or known, name, place of residence or bank domiciliation, state of health, loss of autonomy, disability, genetic characteristics, morals, sexual orientation, gender identity, age, political opinions, trade union or mutualist activities, exercise of a local elective mandate, ability to express themselves in a language other than French, membership or non-membership, real or supposed, of a particular ethnic group, nation, race or religion, a person is treated less favourably than another is, has been or will be treated in a comparable situation. These elements are adapted in the subsidiaries in accordance with applicable laws.

2.2.2.2 MEASURES IMPLEMENTED AND RESULTS

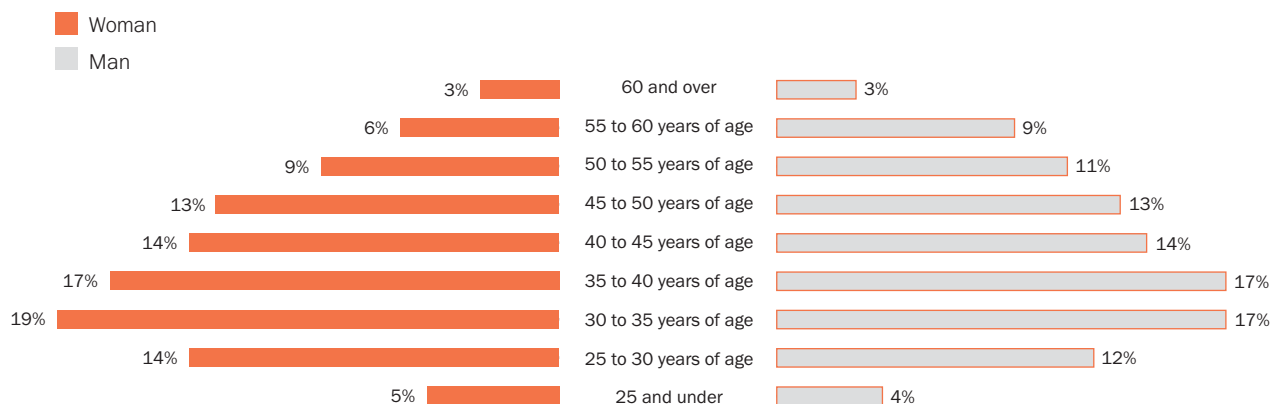
Diversity management

This respect for differences is presented to the employees in the code of ethics, formalised in 2009, that serves as the guarantor of objectivity, equal opportunity and promotion of diversity without discrimination in recruitment, career development and daily management.

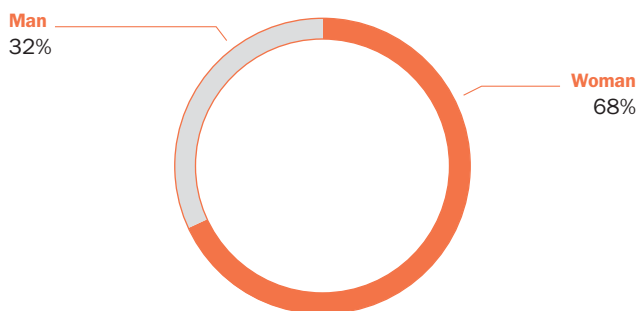
GENDER BREAKDOWN BY CATEGORY (MANAGERS/NON-MANAGERS)



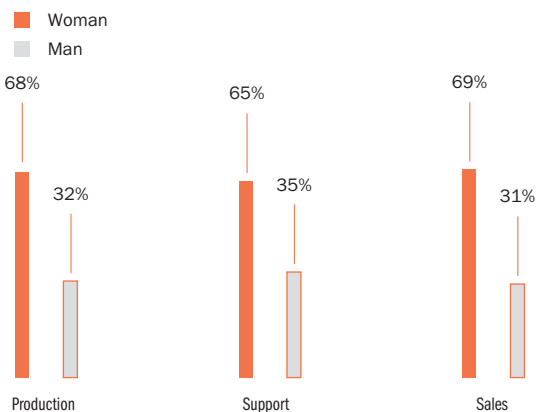
AGE PYRAMID BY GENDER



BREAKDOWN BY GENDER



BREAKDOWN BY GENDER BY SECTOR



To develop responsible management, the “Alterego” training programme highlights the richness of diversity for the company and thus reinforces fair management in access to employment and career management. Started in 2017, this programme continued in 2019 with 12 one-day sessions for 153 divisional and local managers from all entities in France. The objective is to involve them in a responsible employer culture by prompting several discussions about disability, religion, gender equality and inter-generational management.

Social diversity

Employee recruitment respects profile diversity wherever Hermès operates. To foster this diversity, certain sites work with specialised partners. Holding Textile Hermès chose Open Emploi, which specialises in employment diversity, as its partner to hire long-term job seekers and senior workers. Ateliers AS uses the Alterego programme to support its managers in terms of inclusion in its workshops. At the Leather Goods division and CATE, recruitment is only carried out through aptitude tests and not using CVs, a system which favours a diversity of profiles.

In the United States, all Hermès Of Paris employees receive diversity training. In 2019, 715 of them were trained in “Understanding unconscious bias” and 192 managers were trained in “Overcoming unconscious bias in the workplace”. To raise awareness of and prevent harassment in the workplace, Hermès Of Paris has placed harassment awareness modules online. These modules have been taken by 522 employees and 196 managers (the subsidiary employs 876 people). This pilot training will be used as a base for the roll-out of similar training on an international scale.

In the Retail Europe division, teams that are multicultural in terms of nationality are multiplying. The Hermès Italie team took part in a Diversity Day to recruit people from diverse backgrounds.

Gender equality

Gender equality is one of the fundamental principles promoted by the Hermès Group. Special attention is paid to equality, particularly in the awarding of equal pay for equal work and ensuring equal opportunities at all levels of employment. Training is provided to management and the subject is specifically addressed in the framework of human resources department meetings.

The gender equality index was created in 2019 to eliminate gender inequality in the companies. In companies with more than 250 employees, it is calculated based on five indicators: the gender pay gap, the gap in the breakdown of individual pay increases, the gap in the breakdown of promotions, the number of employees receiving pay increases upon returning from maternity leave, and parity among the 10 highest packages. At Hermès, in the scope of relevant companies, the weighted average of the pay equality index is 94 out of 100. The indices of the different companies fall into a range between 79 and 100. The index of the holding company, Hermès International, is 99 out of 100; this is the same as for Hermès Sellier, which has the largest workforce.

The Hermès Group is largely made up of women (68%), who are represented at all hierarchical levels (54.2% in top management positions - see chapter 3.3.2.4) and in all activities. The Hermès Group's policy is to guarantee a total non-discrimination in the treatment of its employees.

In early 2019, Hermès harmonised its international maternity leave practices by defining a minimum maternity leave period of 16 weeks, maintaining 100% basic pay and making 100% coverage of childbirth expenses available to all employees in addition to those paid by public bodies.

In order to develop women's leadership, 19 managers in France and 26 Hermès managers in Europe and Asia (chosen because they were identified as employees with potential) benefited from the EVE programme in 2019: 12 women in 2019, compared with seven in 2018. The proportion of women identified as Talents and able to benefit from internal mobility was deemed satisfactory. Among Future Leaders, 11 internal transfers were made, including seven women, and among Confirmed Talents, 23 internal transfers were made, including 13 women. These are potential employees called upon to take on high level positions in the organisation over the long term and identified in the biennial Talent review, a process steered by the Group and conducted locally by the human resources departments alongside Managers.

In France, agreements or action plans relating to professional equality have been renewed with various provisions such as the granting of rest days for parents or spouses with a seriously ill child or spouse, the authorised absence of the future mother's spouse for mandatory examinations, and the implementation of parenting interviews upon return from paternity or maternity leave.

At the Watches division, an internal survey on gender equality was conducted. Hermès Suisse offers each pregnant employee a meeting with a midwife to discuss her rights, best practices and recommended postures.

At Holding Textile Hermès companies, pension contributions for part-time employees are paid by the employer on a full-time basis and parents are authorised to be absent from work in the event of serious illness of the child (for up to 10 hours per week), to be adjusted in agreement with their manager. Women in managerial roles and positions of responsibility at production sites benefit from personalised coaching support.

At Hermès Sellier, in addition to the crèche in Pantin for the children of employees, the number of additional crèche places reserved by Hermès International and Hermès Sellier has increased in Paris, Pantin and Lyon to facilitate work-life balance (more than 60 places reserved instead of 40 last year, enabling employees to benefit from places in inter-company crèches).



94 / 100*
**in the gender pay
equality index**

* global index of weighted averages

2

Disability

Hermès has long been committed to integrating people with disabilities into its different *métiers*. Thus, the first Disability agreement was signed in 2017 with all the representative trade unions within the Group. For 2018-2020, Hermès set itself the ambitious goal of increasing its use of socially supported organisations by 20% per year, and the target was met in 2019.

The Hermès Group's Disability agreement team joined forces with a network of 12 Disability Officers in each *métier* (Textile, Leather, Crystal, Perfumes, Home, Women, Hermès Services Groupe, Hermès International, Hermès Commercial, Hermès Distribution France) to help all sites make progress in integrating and maintaining the employment of those who are temporarily or permanently disabled. The network of Disability Officers meets on a regular basis to share best practices, visit sheltered work establishments (Esat) and promote skills development. In 2019, the network received training on mental disabilities from Club House, an association that works to combat the stigmatisation and isolation of people with mental disabilities and facilitate their social and professional reintegration.

This overall mobilisation around disability in France was recognised twice in 2019 by the Ministry of Labour, with participation in the Successes in Social Dialogue Day for the co-construction methods used for the Disability agreement, and then during the disability workshops organised as part of the "France, a chance, companies commit" operation.

After an initial year that saw the employment rate of people with disabilities rise from 3.99% to 4.93%, Hermès continued its efforts in 2019. The 2019 employment rate was 5.68%.

The employment rate (excluding the various reductions that can be applied) is based primarily on a direct employment rate of 4.90% compared with 4.21% in 2018 and 3.51% in 2017. The overall employment rate, including reductions, is 7.48% exceeding the legal threshold of 6% at the Group level, as in 2018.

In 2019, taking into account the results achieved, Hermès reaffirmed its efforts and its commitment to disability issues by allocating a matching contribution in excess of €0.15 million per year to enable the Hermès Group's Disability agreement team to continue its work over the three years of the agreement with the same budget.

In 2019, the Hermès Group's Disability agreement team took part in 10 employment forums dedicated to disability. Discussions have begun with Défense Mobilité and Cabat – *Cellule d'aide aux blessés de l'armée de terre* (Aid Unit for Wounded Army Personnel) to develop the reclassification of injured soldiers. The three-year partnership with Sciences Po Paris on the Accessible programme dedicated to students with disabilities continued.

The commitment to 20 permanent contracts initially set for December 31st 2020, the date on which the first Disability agreement expires, was reached in 2019 with the hiring of 13 people with disabilities, in addition to the nine new hires made in 2018. The Leather Goods division accounts for the majority of these permanent employment contracts, in view of the volume of annual recruitment, but also of management's objectives and the adoption of the Simulation Recruitment Method (SRM).

The Fitilieu site, a production site and training school for the Savoie Dauphiné division, is particularly involved. The multi-year partnership with the Ohé Prométhée association made it possible to organise two recruitment sessions in 2019 dedicated to people with disabilities, each bringing together around 30 participants and with the presence of a French sign language translator. Each of the two sessions resulted in the integration of two people with disabilities. This same partnership enabled SNC to organise a dedicated recruitment session and to integrate a person with a disability into the intake of seamstresses.

The integration of different types of disability provides opportunities to improve the training of managers, tutors and colleagues, such as the DIS plan (for DISORDER, all specific cognitive disorders and the learning disorders that accompany them) rolled out at the Leather Goods division – Pantin to promote the integration of a young work-study student.

On a day-to-day basis, workers provided by EAs/Esats contribute to various activities (cutting, order preparation, logistics, security, concierge services, mail dispatch, etc.) at various *métiers* (Hermès International, Hermès Services Groupe, the Leather Goods division, the Perfumes division, etc.). These collaborations provide opportunities to encourage new long-term hires.

In 2019, over 40 employees completed their initial disability recognition process, bringing the total number of employees with disabilities to 516 full-time equivalents, compared to 362 in 2018. 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. Over 50% of the Disability agreement budget was devoted to workspace adaptation, the financing of individual equipment or the granting of Cesu compensation for people with disabilities.

The Handi'Cap 2019 Forum, organised by the House at the Espace Jean Louis Dumas in Pantin, brought together, around 12 themed booths, around 100 internal stakeholders, all of whom are essential levers for the effective implementation of the Disability policy.

Nearly 28 "duodays" were organised, inviting a change of perspective by welcoming a student with a disability for a day to help him or her discover a *métier*. The Perfumes division and Cristallerie Saint-Louis were particularly involved in this nationwide initiative, which enabled people with disabilities from outside the Company, whether job-seekers or from Esat-type support structures, to spend a day sharing the daily lives of employees and thereby discovering the behind-the-scenes workings of production or support *métiers*.

In November, the European Week for the Employment of People with Disabilities provided an opportunity to organise various events to change perceptions and combat stereotypes. Numerous events were held at sites in France, enabling employees and by extension their families to learn more about disability (Christmas market with products made by Esats at Hermès Commercial, inspiring lectures by Dorine Bourneton, a disabled aerobatics pilot, lectures by Equiphoria on the benefits of equine therapy for people with disabilities, massages given by the visually impaired, etc.).

The members of the SECs of Cristallerie Saint Louis, Ateliers AS and the Tannerie du Puy benefited from training on disability.

The Perfumes division's Vaudreuil site took part in World Down Syndrome Day in March.

At Hermès Distribution France, in order to better welcome people with disabilities in the stores, sales associates were trained to better take into account the specificities related to each type of disability, with the acquisition of *savoir-faire* and interpersonal skills for reception, accessibility and safety on the premises.

Hermès also supported the co-financing of three training courses (€5,000) in office automation via the HandiPlume training centre, enabling 30 EA/Esat workers to receive a professional certificate (PCIE and Facilitexte).

In Italy, a specific programme for the integration of people with disabilities was set up in the Milan and Rome stores, while disability awareness actions were carried out at the Cunéo Tannery.

The Prudhomme brothers – master craftsmen and instructors

Promoting the emergence of craftspeople 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 craftspeople. 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.

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

People are critical to our sustainability project and the initiatives conducted by the Hermès 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. This coverage is the subject of a specific reflection and discussion group on healthcare costs. This body, set up on a voluntary basis, enables constructive discussions on the balance and development of the healthcare cost regime applicable in the majority of the Hermès Group's companies. Lastly, in addition to the fixed and variable compensation paid to employees, the Hermès Group also offers health insurance and welfare benefits, not only in France but also in the other countries where it operates.

◆ 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 RSIs (repetitive strain injuries), 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 people with disabilities".

Helping people with disabilities access and retain employment is a major issue. With the signature in France of a Group agreement for 2018-2020, Hermès set itself the ambitious goal of increasing its use of socially supported organisations by 20% per year. This target was met in 2019. As part of social dialogue in France, an agreement was signed on gender equality in 2019. In addition, during salary reviews, compliance with the principle of equality is systematically executed. Lastly, specific training in diversity management has been provided since 2017.



No. 5: Gender equality

◆ 5.1: "End all forms of discrimination against women".

Women represent an important part within the Hermès Group (68% of employees). At Group level, women managers represent 61% of employees.



No. 8: Decent work and economic growth

- ◆ 8.5: *“Achieve full and productive employment and guarantee equal pay for work of equal value”.*

The Hermès Group contributes to job creation, especially in France. The Hermès Group 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 Hermès 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”.*

Partnerships and agreements with schools make it possible to recruit future employees, while welcome sessions for schoolchildren and students within the various entities are opportunities to present the diversity of the *métiers*.



No. 8: Decent work and economic growth

- ◆ 8.7: *“Ethics and fundamental commitments to human rights and labour organisation”.*

The Hermès 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 HSE network. The production facilities, in the OECD area, are very demanding on these topics. Surveys have been carried out as part of the well-being approach, in collaboration with professionals, so that employees can express their feelings on the related themes. The results are used to set up corrective working groups.

Passing on *savoir-faire* with trainers and mentors

2



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2.3 PEOPLE: SAVOIR-FAIRE

Introduction

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

This commitment to employee training is reflected in all *métiers*. For production and distribution activities, training programmes are tailor-made and rolled out locally (regional hubs, subsidiaries) or by the Group in Paris (ExLibris University). This can be seen 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, and the recognition of the qualifications gained through on-the-job training ¹, experience validation ² and diplomas (CAP, etc.).

In the Leather Goods division, where the transmission of culture and *savoir-faire* is of vital importance, a network of specialised *métier* trainers has been created. It holds regular meetings where trainers exchange new techniques on the transmission of knowledge. In all French regions where Hermès opens leather workshops, partnerships are immediately forged with local schools so that training in the *savoir-faire* linked to the *métier* can be combined with hands-on practice. For the distribution activities, Retail Academies help sales associates, store managers and support teams develop both their product expertise and their customer relationships skills. From a cross-cutting perspective, 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. *Savoir-faire* must be combined with *savoir-être*.

In line with these training courses, team-building initiatives take place throughout the year to bring the teams together so they can soak in Hermès' craftsmanship spirit and develop a spirit of curiosity through a shared discovery of *savoir-faire*. The programmes rolled out — *Tandem*, *Tilbury* and *Parcours d'Adresse* — are all opportunities for employees to come together, to discover one another's *métier* and universe and to unite them around a strong human culture in which exchanges are beneficial for everyone.

1. Professional qualification certificate.

2. Validation of acquired experience.

2.3.1 CHALLENGE: RECRUITING TALENTS

To grow, Hermès needs to be able to strengthen its teams in all *métiers* in the short and medium term, from craftspeople, sales associates and producers to experts in cross-functional functions, namely IT, supply chain, finance, human resources, legal and digital, etc. In the coming five years, Hermès' workforce could increase from more than 15,000 to 20,000 employees and the Hermès Group is preparing for this scenario.

In this context of sustained growth in activity, the House's sustainable development rests on its ability to recruit people who will be able to express their talents throughout their careers. Their profiles, expertise and *savoir-faire* will be essential in supporting the House's development. That is why Hermès pays particularly attention to relationships with schools and keeps a very close eye on recruitment. The goal is to enable new recruits to fit harmoniously into the Company's long-term project and contribute effectively to its activities.

2.3.1.1 POLICY

Recruitment is managed by each *métier* and subsidiary to ensure the perfect match with the local context. 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 Hermès Group hopes to make applicants more aware of the *métiers* and the uniqueness of the House, attract candidates who believe in the business model and its values and will then be able to select the best profiles, capable of feeling at home within teams for a long time.

2.3.1.2 MEASURES IMPLEMENTED AND RESULTS

Employer brand

Hermès' image given as an employer is as important as the one transmitted by its objects, stores and services. The employer brand serves to attract the best applicants, who will make a lasting contribution to the House's development.

In 2019, Hermès gave its employer brand a new identity. In tight job markets in most of the countries where Hermès operates, the challenge is to strengthen its visibility and better enhance the sources of its attractiveness. That is what allows Hermès to grow and also to change. Driven by the success of its collections and growth in demand, it needs to be able to keep pace with the increase in the activity.

That is why the new employer brand identity conveys the message “All artisans”. The aim is to express the idea that all Hermès employees embody an artisan spirit, one that contributes by the creation of a beautiful object with humility, passion and the love of fine work to making customers’ dreams a reality. This identity places the value of the men and women of Hermès in their authenticity, while highlighting the fact that they create objects crafted from high-quality materials. In addition to the two main channels – the Hermès career site and the Hermès LinkedIn page – communication materials have been developed to promote the new employer brand in school forums, recruitment fairs and applicant interviews.

A two-week nationwide communication campaign was rolled out in France in the autumn of 2019, with the ambition of enhancing Hermès’ appeal as a recruiter of talent, as well as its legitimacy as a creator of social value. It was aired in the national press through double page spreads in *Le Monde* and *Le Figaro*, but also in the regional daily press (*Le Progrès*, *La Montagne*, *l’Est Républicain*, *Sud-Ouest* and *Normandie*) to highlight the Company’s local roots. The campaign was also widely aired in the Facebook and LinkedIn social networks and in targeted media in the areas of News, Business, Culture, Entertainment and Music through video clips. It generated nearly 6,200 clicks on LinkedIn and attracted more than 473,600 unique visitors, a good performance spurred by the videos, which received a high level of engagement.

Throughout 2019, Hermès managed its presence on LinkedIn in a selective but more intensive way, through 86 posts. This resulted in the doubling of the number of followers, from over 285,500 to more than 475,750, over the year. The year’s posts dealt with such subjects as the opening of manufacturing sites, store openings and renovations, recruitment events, relationships and partnerships with schools, initiatives for the disabled and more. LinkedIn was behind more than 1,800 recruitments in 2019. The number of applications received via the network rose to more than 276,800 (up from nearly 153,000 in 2018). Lastly, the Hermès LinkedIn page logged more than 432,800 visits (up from nearly 309,200 in 2018).



In December 2019, Hermès once again ranked among the best employers, coming second in Glassdoor’s rankings, the sole representative of the luxury industry. This ranking (Glassdoor) covers companies with more than 1,000 employees and more than 20 employee reviews on each of the eight attributes. A mark of recognition of

the quality of working life in the Company in terms of management, pay, applicant experience and benefits, Glassdoor is a job platform widely seen as the “Google for jobs”, which aggregates the job offers of certain job boards and corporate 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.

Hermès also received the prize for the best employer, raking third in the luxury industry – in the Epoka-Harris Interactive ranking prepared with input from students and young graduates. Lastly, Hermès Australia was named “Best Retail Employer of the Year” in the Retail world.

In 2020, Hermès will continue its employer communication initiatives with events on a larger scale aimed at facilitating a dynamic recruitment activity.

An initiative revolving around five pillars has been mapped out and involves articulating the employer promise, which is backed by tangible elements and benefits for candidates.

Relations with schools

Hermès maintains close relationships with the world of education, driven by both its duty as a responsible company contributing to the training of young people and the need to welcome young people to round out their classroom training with practical experience.

The House opens its doors to many classes of students to let them see the workshops and a store and to give them an overview of Hermès in order to promote and underscore its reality as a responsible employer.

Relationships with schools are focused mainly on art schools and those teaching the artisan *savoir-faire* that has a place at Hermès, but on a very broad spectrum taking into account the diversity of activities and *métiers* practised within the Hermès Group.

This approach also symbolises the House’s determination to maintain a close dialogue with the rising generations. Work will continue to nurture these relationships. The Hermès Group’s materiality analysis also involved these representatives of future generations. Lastly, the screenings of the *Empreintes sur le Monde* (Footsteps across the world) series of films is a special time for intergenerational exchanges.

Support

In 2019, Hermès continued its partnership with HEC. This gave rise to numerous initiatives, including presence at a student forum in March, a student-led study on meaning at Hermès, an assignment offered to students of the Entrepreneurs Master’s programme and participation in a panel.

The partnership with Sciences Po Paris also continued, resulting in practical meetings with students with disabilities, the recruitment of interns and work-study students.

Local initiatives including a human resources/Manager breakfast with students of the Finance Master’s programme and events held for students of the Marketing and Communication Master’s programme gave body to the House and helped share living testimonies of our actors.

Sponsorship of the IAE Gustave Eiffel Innovation Luxury and Design Master 2 programme was the opportunity to open the doors to a class of 30 students, allowing them to discover the Pantin leather workshops and the Faubourg Saint-Honoré store and to interact with alumni of their school now working at Hermès.

The Group artistic department team maintains close links with leading art schools in their respective fields. It uses practical initiatives to pursue the goal of identifying young talents for future collaborations and supporting them in their learning journey through case studies and by opening up the world of Hermès creation to them. In 2019, a group of students from the Penninghen school in Paris was tasked with conjuring up a “Dream showcase and showcase dream”, consisting of creating a season’s decorations for the windows of the George V Store in Paris. Students from the Accademia Belle Arti also designed display cases called “The sky in the room” to mark the Milan International Furniture Show. In 2019, students from the same school proposed “The dream collector” display cases for the Venice store to mark the Art Biennale. Students from Ecal in Switzerland worked on the design of watch faces, sponsored by graphic designer Philippe Apeloig. A proposal for a communication event was imagined by students from the Colbert Chair-ENSAAMA.

Craftsmanship and métiers

Hermès was present at the Forum CentraleSupélec in Paris with the aim of presenting its manufacturing division and its more than 55 production units – 43 of which in France – and enhancing the attractiveness of the careers that can be offered to engineers in this industry-come-artisan universe. Job and internship offers aroused great interest. In addition, a group of managers held a half-day for first year students at Centrale Paris, giving them mini case studies. The session’s aim was to give students a window on to the multidisciplinary nature of the world of business and the design of products and services, and to make them aware of the scientific and technological barriers around processes (innovation, design, production, logistics, etc.).

The Leather Goods & Saddlery division is continuing existing partnerships and forging new ones with vocational schools Jean Rostand (Angoulême), Boismard (Brionne), Casanova (Givors) dating back 30 years, Boudard (Montbéliard), Desaix (Saint-Eloi les Mines) and a new CFA in Bordeaux (Le Vigean in Eysines). It has opened a professional baccalaureate in leather goods with the Flora Tristan vocational school in Montereau to promote new leather goods creation. A professional certificate featuring a cutting option has also been launched at the lycée Jean Monnet in the Paris region. It also took part in the local Savoie-Dauphiné system of the Local Business Schools Committee organised with two lycées in Bugey. In Franche-Comté, a qualifying training course in cutting was created in partnership with École Boudard.

The Leather Goods & Saddlery division also supported the Manufacture programme piloted by the Fondation d’entreprise Hermès, which aims to introduce children and adolescents to the *métier* of crafts by showing them how to manufacture an object in several stages. This support was reflected notably in talks by craftspeople to several middle and senior school classes in the Paris region, Lyon and Franche-Comté, and by the

hosting of classes on certain sites of the Savoie-Dauphiné, South-West and Franche-Comté divisions.

The textile division maintains close links with the lycée Aubry, ITECH, the Cepitra textile school, lycée La Martinière Diderot, lycée André Paillot and ENSAIT.

The Tanning and Precious Leathers division has approached the IUT Chimie du Mans to launch a Young Tanning Technician Programme and ITECH to present the Young Tanner Programme, a 24-month course to integrate young chemical engineers, broken down into four sequences of six months, in four different tanneries.

As part of the partnership undertaken by the Perfumes division – at the instigation of Christine Nagel – and École Supérieure du Parfum, a creative project was entrusted to the 38 fifth-year students of the “Creation and Management of the Perfume Industry” Master’s programme. The chosen theme was “When the world of selective perfumery goes green: (re)invent the world of perfume of tomorrow!”

Hermès Femme contributed to the overhaul of the IFM/Haute Couture Syndical Chamber’s programmes for fashion workshop *métiers*.

Cristerie Saint-Louis continued its collaborations and partnerships with training establishments preparing students to work in the artisan *métiers* of crystal glass making (lycée Jean Monnet in Yzeure, lycée Dominique Labroise in Sarrebourg, European Centre for Training in Glass Arts in Vannes le Châtel), notably by hosting students on internship and apprenticeship contracts.

Retail

To hire reinforcements for the summer and the end-of-year festive season, Hermès Distribution France holds collective recruitment sessions. These sessions, held in unique venues, are also an opportunity to present the House and the subsidiary, its values and its history, and to offer an opportunity for networking between the applicants and the store teams. In 2019, events held in Paris, Nice and Lyon resulted in the recruitment of 67 seasonal employees. The subsidiary also took part in the recruitment forums of the Essca, Ieseg, Isefac and IFM management schools.

The Retail division, international by nature, carries out various initiatives with students around the world. Hermès of Paris has established a partnership with the Luxury Education Foundation, a non-profit organisation that offers exchanges and meetings with industry leaders. The Foundation works closely with Columbia Business School, Parsons School of Design and the Hong Kong University of Science and Technology. Hermès Mexico has established a partnership with IES de Moda and Casa de Francia to offer internships to some students and recruit others.

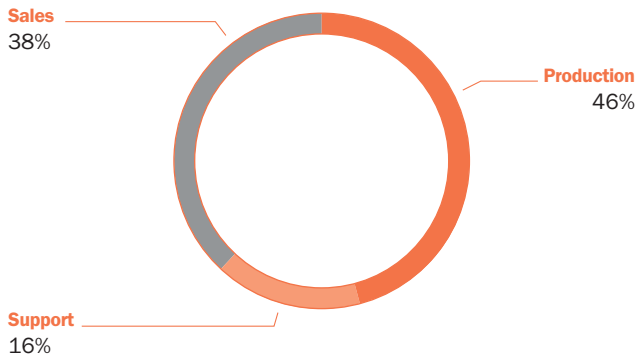
Hermès GB has established a four-day programme consisting of bringing in eight students to familiarise them with the subsidiary, its activity and its stores.

Hermès Asia-Pacific welcomed 50 students to a job campus, which helped fill sales positions.

Recruitment

When recruiting, a particular focus is placed on the personality of the candidate: a sense of teamwork, a spirit of curiosity, a commitment to quality and attention to results are key criteria because they play a determining role in the future employee's ability to bring something to the corporate project while participating in the strong team spirit that informs the internal experience.

RECRUITMENT BY SECTOR



Recruitment activity was particularly strong in 2019.

The careers website was revisited in 2019 to adopt the new employer brand identity:

<https://www.hermes.com/fr/fr/story/221096-hermes-employeur/>. In 2019, 2,019 job offers were posted (up from 1,710 in 2018), testifying to the vitality of activity, in which 888 permanent employment contracts and 1,131 fixed-term employment contracts, work-study contracts and internships were proposed. The site registered more than 175,500 applications in 2019 (up from nearly 150,000 in 2018). 826 hires – all jobs combined – were made *via* the website (compared with 721 in 2018).

The Hermès employer site attracted more than 677,000 visitors to the offer pages in 2019, up from nearly 535,000 in 2018, an increase of 27%.

Support

Hermès Commercial organised collective recruitment sessions for interns and work-study students for the customer services department, a first *Handi'mat* collective recruitment session in a spirit of inclusion and collective sessions to recruit logistics operators. The human resources department, in charge of recruitment for Hermès Sellier and several subsidiaries in France, also established collective recruitment sessions to select and recruit trainees and work-study students.

The Hermès IT systems department recruited more than 40 people in 2019, notably through a recruitment campaign designed to attract scarce profiles in a market experiencing hiring difficulties.

Several subsidiaries are revisiting the way they hire people in order to create a sense of closeness and firmer bonds with applicants and to establish the relationship in a shorter time.

Craftsmanship and métiers

The Leather Goods & Saddlery division took part in several fairs and forums, including the Charente recruitment forum, the recruitment fairs in Evreux and Val-de-Reuil, Bugey Expo, the Pont-de-Beauvoisin job forum, the World Trades Fair in Lyon, the Art Trades Fair in Belley and Portes du Cuir in Saint-Junien.

Collective recruitment sessions accompanied the hiring of trainees for the Leather Goods division's Central Services.

The Textile division launched a Provisional Management of Jobs and Skills process dubbed "Outlook" to prepare for the 109 departures anticipated by 2022. It features project structuring, individual interviews with each potential retiree, data analysis, a support plan and early recruitments to ensure transmission and tutoring. Two project groups are working to redesign the training course for Printers and to organise "quality control". They will entail 30 hirings by 2022.

The segment participated in the 1000 Entreprises pour l'Emploi forum in Lyon. Société Novatrice de Confection (SNC) participated in the Périgueux job forum.

Again in this segment, the engineers' incubator continues to recruit and train junior engineers, who are offered in-house immersion courses to ease them into fixed positions and prepare them to take over from future retirees.

The Perfumes division invites students looking for internships to Pantin twice a year. In 2019, 140 students immersed themselves in the universe and experienced the company's managerial culture first hand. Around 60 trainees were recruited in this way.

In its recruitment policy for craftspeople, Cristallerie Saint-Louis uses the services of Pôle Emploi to find staff living near the town of Bitche. After the pre-selection stages carried out by Pôle Emploi and then the human resources department, job seekers join the production unit for a period of immersion in the professional environment governed by an agreement with Pôle Emploi. This immersion allows Saint-Louis teams to assess the applicants' aptitude for the *métier* in terms of the requisite skills. For applicants, the process is a means of confirming their projection on to a new professional path. As of November 18th 2019, 25 agreements had been signed, leading to the signing of seven employment contracts.

Retail

To recruit reinforcements for the end-of-year holiday period and for the summer period in seaside resorts, Hermès Distribution France brought together shortlisted candidates in Paris, Lyon and Nice. Meetings of this nature are opportunities to identify future talents who could join the House.

Hermès Distribution Europe innovated by using the Easyrecrue tool to carry out on-demand video interviews, thus putting modern methods into practice. Language tests were also conducted by the tool Easyspeaking.



3 699

jobs created in
the last five years

Developing Talents to build tomorrow's Hermès

Hermès intends to facilitate the construction of rich professional and personal paths within the Group to bring out the leaders and managers of tomorrow. The challenge is to build the Hermès of tomorrow with the men and women of today.

Each employee has an annual performance appraisal. The Managing Directors of the subsidiaries and their Directors of Human Resources 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, 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. The Director of Human Resources supervises the organisation of both interviews:

- ♦ the annual appraisal including performance reviews, the work environment, skills analysis and objectives for the coming year;
- ♦ the professional interview, to discuss medium-term perspectives with the employee (professional assessment, professional project, skills development plan and training).

In subsidiaries abroad, the annual interviews are conducted according to a process overseen by each subsidiary's human resources department, based on the guidelines given every year by the Group human resources 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 (the United States, Japan, etc.) adapt the Group formats in keeping with cultural requirements. 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 in-house mobility, which is the first lever for employee development. The annual "Talent Reviews" are also a way of

learning more about employees and following their trajectories closely. This enables individual Executive development to be followed closely.

More specifically, the Group human resources department monitors the development of talents, in close cooperation with the divisional human resources departments, and offers a range of programmes for them, working closely with the divisional Directors of Human Resources. In 2019, the "Cavaliers" programme gave six groups of young talents the chance to reflect on a topic representing a strategic challenge defined by the Executive Committee. One of the themes submitted to participants in 2019 was "Hermès Green". The "Colbert Labo" was an opportunity for six young people to develop thinking with their luxury industry peers on "How to reinvent and enhance the profession of sales associate in a luxury house". A number of external programmes have been offered to more than 50 – including 37 in the "Eve" and "Octave" programmes rolled out by Danone – employees whom the House wishes to support on leadership issues in particular and in their personal development more broadly. For the second consecutive year, four employees were able to join the *Campus Formation Étudiants Entreprises* programme, which adopts the combined work-study approach to provide trainees with the digital skills necessary to support ongoing changes in areas including design thinking, project management, digital techniques and collaborative working. They will ultimately earn a Master 2 degree, thereby increasing their employability.

2.3.2 CHALLENGE: PRESERVING AND DEVELOPING SAVOIR-FAIRE

Hermès has built its growth model on a culture of continuous improvement, in a context of sustained growth in its activities and its workforce. It is a model in which the preservation and development of *savoir-faire*, often exclusive, and its acquisition by and transmission to all employees regardless of their function (artisan, retail or support function) are essential. 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.

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.

2.3.2.1 POLICY

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 craftspeople 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* in-house training but also has recourse to external training when appropriate. Hermès is developing in-house training schools for its major craftsmanship *métiers* – Leather Goods, Textile division and Tannery – enabling this *savoir-faire* to be perpetuated and handed on. The House works upstream in promoting the arts 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 craftspeople 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 to many unique forms of weaving and silk printing *savoir-faire*, which Hermès works hard to maintain.

2.3.2.2 MEASURES IMPLEMENTED

Training, along with in-house 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 Group's training catalogue reflects the House's cumulative needs in terms of supporting growth, and satisfying the need for in-house mobility and the wishes of employees raised during the annual appraisal.

Bringing new employees on board

Hermès pays particular attention to integration to ensure a suitable welcome, allowing new employees to find their feet, measure the uniqueness of the Hermès project and grasp the Company's identity, get a feel for its history and come to grips with its codes, its organisation and its challenges as a multi-dimensional company through the diversity of its businesses, its employees, its geographic locations and its cultures.

As an example:

"Mosaïque" – the onboarding programme for new employees in France – has enabled 345 people to feel warmly welcomed in 2019 and become immersed in the corporate culture through visits, testimonials and presentations giving a broad picture of Hermès. And "H Immersion", the onboarding programme for new employees in retail subsidiaries, lasting one to four days, delivered in a local version to over 1,100 participants through 110 sessions.

The new "Hkeys" group programme welcomes new managers for three days within six months of their arrival in order to give them the keys necessary to adopt a managerial posture in keeping with the values of the House and to forge links between managers of various entities.

Within the central services of Leather Goods & Saddlery division, 38 employees completed the new "Tous en Selle!" onboarding programme, exclusively designed and run by Managers of the division, in two distinct sessions. In addition, new non-artisan employees are given the chance to learn to sew in a four-day internship in the leather workshops. A total of 28 leather working courses were organised in 2019.

"Au fil d'HTH", a three-day onboarding programme for the Textile division, grew with the addition of practical workshops (devoted to rolling and quality control), a visit to the Hermès store in Lyon and a visit and presentation of all the business units in the segment. An integration morning for trainees and interns was also launched in October.

Hermès Femme held the inaugural "Premiers Regards" integration day, held twice a year for all new employees on permanent contracts or fixed-term contracts of over six months. They are invited to a day-long presentation featuring entertaining workshops addressing the segment's challenges and strategy. Some 95 employees attended.

At the Tanneries du Puy, in the Tanning and Precious Leathers division, new craftspeople in all production positions follow an extensive training integration course over a period of eighteen months.

The Perfumes division is continuing to roll out "Premiers Pas" integration programmes for all new permanent employment contracts and "Découvrons Hermès Parfum & Beauté" for fixed-term employment contracts, work-study students and interns.

The Home division held its first integration day in September, allowing new employees to discover the *métier* and gain a vision of the Group.

The activities of the Ex-Libris University

Hermès considers managerial skills to be a *savoir-faire* in their own right, in the same way as technical *savoir-faire*. That is why Ex-Libris University, an in-house university run by the Group's Human Resources department, delivers programmes focused mainly on the development of Managers and the dissemination of the corporate culture. It had a particularly busy year in 2019, with more than 1,268 people trained in total (compared with more than 1,250 in 2018).

The three-day "Happy Culture" programme for employees with more than three years' seniority in the Company gave 202 people the chance to enrich their knowledge of Hermès and learn more about the House's new dimensions. The "IFH" programme for members of the Management Committees of sites or subsidiaries enabled 52 employees to share the vision and strategy of the Group and the various *métiers*, and to gain a broad overview of the House.

Management training sessions are also organised. They enabled 267 managers to get a better grasp of their responsibilities by adopting behaviours and practices by keeping with the Company's values and to play a key role in guiding employees and developing activities.

At the Group's initiative, two programmes are in place in the various entities: "Alterego", which aims to make managers aware of the challenges of diversity and disability management, and "Alchimie", which aims to share the vision and challenges in terms of recruitment and to become more professional in conducting recruitment interviews.

In December, in partnership with Artips, the "Culturiosité" platform was launched with 8,000 French-speaking employees (France, Benelux and Switzerland) in order to help build their general knowledge.

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 trainers from all of our countries. Each season, this five-day technical training course is dedicated to seasonal collections. It is a ritual in which the business trainers share their knowledge and expertise with the market trainers, who in turn pass it on to the teams in our stores.

Savoir-faire schools

In the **Leather Goods division**, the École du Cuir has enriched its programmes to support the key challenges of development and transmission of skills.

Training for new entrants:

- ♦ Table initial training;
 - the programme is rolled out on all sites;
- ♦ Cutting – preparation initial training;
 - the programme is rolled out on all sites;
 - launch of a digital training tool for trainers (100 "cutting questions");
- ♦ Piquage initial training;
 - construction and rollout of an initial training programme.

The School of Leather's activities have supported the award of 197 CAP vocational qualifications in leather work, 76 Sellier Maroquiniers d'Arts (saddler and leather worker) diplomas and 21 CQP Cutting diplomas. As part of the validation of acquired experience (VAE) scheme, nine people received CAP vocational qualifications in leather work, eight people the Sellier Maroquiniers d'Arts (saddler and leather worker) diploma and 10 people the CQP Cutting diploma.

As a result, more than 320 certified qualifications were obtained by our employees this year. A total of 206 employees were awarded a CAP diploma as part of a strategy to recognise professional skills and maintain artisanal *savoir-faire*.

This year, Hermès introduced a training division within its new Maroquinerie Iséroise. The Ateliers de Fitilieu, which has a school dedicated to the métiers of saddle maker and leather goods craftsman, cutter and mechanic, will eventually host around 100 craftspeople. The craftspeople trainers have honed unique skills, such as sign language fluency, to adapt learning and production to people with different disabilities.

Continuous training

The rollout of the 12 continuous training programmes at the School of Leather continued (5,600 people trained since 2011), with in particular,

a new programme for cutters entitled "Profession: Cutter II" complementing the existing programme. This training allows cutters to acquire the specificities of the prestigious and rare skins of the House, giving them the tools to identify the constraints linked to prestigious and rare skins and making them aware of the concepts of consumption and being frugal with materials, etc.

Developing artisans' versatility and multi-skilling

Numerous programmes have been established on all sites to support the development of versatility and multi-skilling among artisans, such as leather workers trained to work as cutters or mechanics, or mechanics and cutters trained in the craft of leatherwork.

The development of versatility is also encouraged by training artisans in the manufacture of other products. For example, at the:

- ♦ Maroquinerie du Sud-Ouest: four small leather goods artisans were trained in the manufacture of bags and glove-makers were trained in small supple leather goods;
- ♦ Maroquinerie de Normandie: six small leather goods artisans were trained in the manufacture of bags.

The **Textile division** – through the School of Textiles – has launched two working groups dedicated to training set up as part of the "Outlook" approach, anticipating retirements:

- ♦ one group is working on the redesign of the Printers' training course with, among other things, a local partnership initiative with an artisan fabric printing workshop in Lyon;
- ♦ the other, on the "quality control" organisation, for which 30 recruitments are planned by 2022: redesign of the target function of the quality control role/inspection role, work on boosting the attractiveness of the position, different possible channels of recruitment and integration/training course.

The subsidiary also continued:

- ♦ the "Management in Practice" programme targeting all managers since 2017;
- ♦ the "digitisation" approach of the HR function, with training in new digital tools, a collaborative approach to better communicate and work together and awareness of new ways of communicating. Process supported by the IT and business intelligence services;
- ♦ the "Résonances" approach, a programme designed to sharpen artistic and cultural skills among development, colouring, creation and similar teams. 2019 also featured a day devoted to Indigo (the basics of indigo dyeing and an exhibition devoted to colour at the Musée d'Orsay), a workshop on engraving and other events.

In the **Tanning and Precious Leathers division**, an innovation programme continues to foster a culture of innovation that stimulates inventiveness, agile thinking and curiosity.

Petit h engaged in exchanges with certain production units, such as John Lobb and the Textile division at Pierre-Bénite, to learn about their specific *savoir-faire*.

Hermès Commercial revisited the “Logistics from A to Z” programme over two days with a comprehensive and detailed visit of flows on the Bobigny site and a visit to the service provider. The division has also developed the “Switch” programme, dedicated to encouraging multi-skills among logistics operators so that they can meet the needs of logistics management and diversify their activities. The division has also created an “All leather repair craftspeople” product training course for after-sales product managers and *métier* commercial relations. This is a three-day immersion in the Leather Goods division's workshops and the Tannerie de Montereau.

Retail Academies

The Group human resources department has designed, developed and deployed several programmes intended to train employees in the business world.

As such, the “Sales & Service Ambassadors” programme for sales associates is run at a local level, throughout the world. Its ambition is to train them in customer service that matches the quality of the objects. In 2019, 65 sessions enabled 730 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, continued to be rolled out in the various regions. 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.

The “Retail Developer” programme, also initiated in 2017 and linked to the “Sales & Service Leader” programme, continued its rollout in 2019. In total, 137 participants in 2019 joined the 341 people already trained in 2018. This very popular training course aims to strengthen the technical expertise of the teams, covering areas including management of the customer relationship and experience, management of purchases and the product offer and key performance indicators.

The Perfumes division designed the “Digital Workshops” programme to raise awareness of digital culture among all employees through various thematic workshops.

Discovering and passing on the wealth of *savoir-faire*, stories and collections to customers remains central to the challenges of product knowledge. That is why, in addition to the “One day, one job” and “Major *métiers*” face-to-face training, sales associates now benefit from an application on their iPads thanks to which they are only ever just a few clicks away from total immersion in the universe of a *métier*, allowing them to grasp the structure of the various collections, to appropriate materials and *savoir-faire* and to adopt the correct ceremonial product presentation. The Leather Goods, Women's Ready-to-Wear and Jewellery Accessories businesses were the first to join the initiative in June 2018.

Fostering the transmission of a culture

The House'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. This culture makes it possible to understand expectations in terms of

savoir-faire. It also builds bridges between the various *métiers* and activities by reinforcing the capacity for dialogue among all employees.

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

Tandem

Tandem is a programme that brings together a craftspeople and a sales associate, encouraging them to put themselves in each other's shoes. In practical terms, a sales associate plays host to a craftspeople in a store; a few weeks later, the craftsman or woman welcomes the sales associate in his or her workshop (or vice versa). In that way, each can in turn find out what the other one does. The programme is carried out in a generous spirit of sharing, curiosity, reciprocity and commitment.

This networking programme links Hermès' two essential dimensions of craftsmanship and sales, and brings professional and personal enrichment through immersion in closely related professions. They are quality experiences for each pair and have an enriching impact on the other employees working on the sites in question, forging strong new ties.

Launched in 2008, 273 tandems have been formed since the start, representing 546 participants. In 2019, 25 craftspeople and 25 sales associates participated in the programme.

Tilbury

In the same spirit as Tandem, *Tilbury* is a programme for exchanging experiences and sharing practices between a store manager and a production Site Manager, launched in 2018. Over a five-day period, each participant slips on the other person's shoes, participating in the daily life of the host (meetings, exchanges with the teams) and gaining field experience, spending time in the workshop with craftspeople for the store manager, and time in stores among sales associates and customers for the Site Manager.

This human encounter is synonymous with a strong learning experience, one that is engaging, structuring and useful for the development of new practices and skills. This mutual enrichment allows everyone to become aware of the challenges and resources mobilised on both sides, and to grasp other ways of managing and leading.

Eight *Tilbury* programmes took place in 2019, between directors of Leather or Textile production units and store managers from countries including France, the United Kingdom, Spain, the United States and Japan.

Parcours d'Adresse

In a week-long journey, employees from the manufacturing sites set off to explore one of the House's *métiers*. It provides immersion in the *métiers* (porcelain, watchmaking, perfumery, leather, silk, women's ready-to-wear, ready-to-wear and crystal), finely balancing discovery and practical aspects and allowing participants to learn about a *savoir-faire* by exploring the whole life of a product, from the raw material to the final result, following quality control.

Launched in 2011, *Parcours d'Adresse* has already benefited more than 900 employees.

In 2019, nine *Parcours d'Adresse* were organised, allowing 86 participants, craftspeople and support functions to discover the House's production lines.

Integration of sustainable development into our *savoir-faire*

Integrating sustainable development into the *savoir-faire* of all *métiers* and all employees is a key challenge.

The sustainable development strategy is set by the sustainable development department at Group level with retail subsidiaries, production sites, *métiers* and support functions. It rests on raising the awareness of our employees and empowering them.

Given the diversity of *métiers*, management is decentralised, relying on a network of more than 200 ambassadors worldwide. The ambassadors hail from different levels of expertise, some operational, others less so, to ensure that all employees are involved in (advanced) projects and informed of new developments. The network includes sustainable development managers in certain entities (Leather Goods division – including a director appointed in 2019, Hermès Femme, Jewellery division, etc.), the HSE network liaisons, and ambassadors in stores and production sites. It continued to grow in 2019.

In addition, the *métiers* and subsidiaries run specific Sustainable Development Committees that continue to take shape, particularly at the Leather Goods division, the Perfumes division, Hermès Femme, Hermès Distribution France, Hermès of Paris, Hermès China and Cristallerie de Saint-Louis.

Understanding and practical application of challenges locally require:

- ♦ the structuring and monitoring of roadmaps by holding, Management Committee meetings and running dedicated seminars:

In 2019, this was reflected, for example, in participation in the Watches division, Hermès Europe, Cristallerie de Saint-Louis, the Perfumes division, Hermès Soie et Textiles and Hermès Distribution France seminars:

- for the sixth consecutive year, the Asia seminar was held over three days in Seoul (76 people), in the presence of a member of the Executive Committee in charge of Governance and the development of organisations. The event is always a special occasion in which the participating countries (China, Hong Kong, Taiwan, South Korea, Singapore, Japan and Europe) share their achievements and progress on their roadmap, and plan for the years ahead. These roadmaps include projects throughout the year on commitments relating to governance (structuring and leading of local networks), training (including the sustainable development challenges), employee well-being (warming-ups, food), recycling (depending on activity and local specificities), energy saving (lighting), biodiversity (participation in local actions to preserve the environment), and skills and financial sponsorship (support for local associations),

- for the first time this year, the Hermès Distribution France, Hermès Europe and Hermès of Paris subsidiaries brought together their respective ambassadors for a day to present the general and specific challenges facing their activity. It was an opportunity to discuss challenges in the field and to adopt tailored action plans;

- ♦ specific training modules:

The Hermès Group's strategy is explained in each of the Ex-Libris University's in-house training courses (Mosaïque, IFH and Happy Culture), with 13 sessions in 2019. Locally, the subject is presented in training formats ranging from integration programmes to training for new store managers and sales associates (France, Brazil, Mexico, United States, Asia, etc.). The *métiers* encourage employees to learn about the environmental impacts of their activities (eco-textiles, circularity, innovation, plastic, etc.);

- ♦ spreading a sustainable development culture:

Each level has a role to play. A page dedicated to sustainable development, accessible to all employees, has been hosted on the "HermèsSphère" intranet since 2018. A weekly Editorial Committee with the internal communication department ensures regular monitoring and the circulation of strategic and up-to-date news, with 34 publications in 2019. An internal blog dedicated to sustainable development also allows a community of volunteers to share their ideas and bring the "all artisans of sustainable development" culture to life.

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 Hermès Group's strategy and achievements, and to open up to the wider world. In 2019, the Ile-de-France sites got involved in events focusing more specifically on the theme of biodiversity. They included activities focused on the beehives on our sites, as well as planting and composting workshops. They also saw roughly a hundred employees and their children attend a private screening of the film *Les saisons*.

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

In addition, the screenings of the *Empreintes sur le monde* (Footsteps across the world) series of films continued with employees on several sites (Sayat, Strasbourg...), along with their family members, to get a better grasp of the House's sustainable development challenges

<https://www.hermes.com/ca/en/story/135446-footsteps-across-the-world/>

- ♦ sharing best recurring and long-term practices:

The sustainable development department also 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 organised by WWF and other NGOs), waste collections ("World Cleanup day", a honey harvest, social support food baskets, and so on).

2.3.2.3 RESULTS

Training ensures that our *savoir-faire* is passed on

In 2019, the Hermès Group devoted 463,750 hours to training, including 325,916 in France (excluding apprenticeships and apprentice contracts). Some 32,844 training sessions took place (this figure corresponds to the total number of training sessions followed; any one employee may have followed several training sessions during the year), i.e. an average of 14.1 hours per training activity. Average training expenditure per training activity was €58.6 thousand. Training costs in France (invoicing in 2019 of external and intragroup training) amounted to €1,890,831. This number does not reflect the entire training effort, since it does not include *métier* training dispensed directly in the workspace.



In-house mobility

In-house mobility is a powerful way of spreading *savoir-faire* and corporate culture. It remains the primary source of recruitment as soon as a position is vacant – through the internal My way in Hermès platform – and the chief driver of employee development. Allowing the Company's men and women to grow in order to prepare and build the Hermès of tomorrow is a daily concern both for HR teams and for managers keen to develop their teams. More and more temporary assignments are offered to support employee development through a variety of work and experiences in a range of contexts.

Support

Within the Hermès International holding company, 16 internal recruitments were made.

At Hermès Commercial – the Hermès Sellier division in charge of customer service and supply logistics for subsidiaries – 28 internal promotions were completed, both within the division and by movements to or from other subsidiaries.

Craftsmanship and métiers

The Leather Goods & Saddlery division, the Group's largest employer, has enabled more than 100 craftspeople managers and people from the *métiers* support teams to change sites or take up a new position in the context of internal mobility without changing region. In addition, four craftspeople have been offered expatriation. The opening of new leather goods sites is supported by numerous internal transfers, both for craftpeople and for support functions. The opening of the Maroquinerie de Guyenne, for instance, involved 22 internal transfers – 17 artisans of all *métiers* and 5 executives – from 10 manufacturing sites.

The Textile division organised 23 internal transfers.

The dynamics of the Hermès Femme division resulted in 43 transfers, including 35 internal promotions, three internal shifts and five moves to other areas of the Group. Of the 22 talents identified by the division, 18 benefited from career development in 2019.

Retail

14 internal transfers took place within Hermès Distribution France, three of which to international subsidiaries.

The American subsidiary Hermès of Paris carried out 122 internal transfers, including 61 promotions.

Entreprise du Patrimoine Vivant (Living Heritage Company) – EPV

The Hermès Group is proud to have had 12 companies recognised by the *Entreprise du Patrimoine Vivant* label in 2019, namely Hermès Sellier, Holding Textile Hermès (Bucol), Établissements Marcel Gandit, Ateliers A.S., Siegl, Ateliers de Tissage de Bussières et de Challes, Beyrand, Cristallerie de Saint-Louis, Puiforcat, John Lobb and Les Tanneries du Puy (<http://www.patrimoine-vivant.com/>).

These distinctions bear witness to Hermès' commitment to the safeguarding, preserving and promoting heritage *savoir-faire*.

Meilleurs Ouvriers de France (MOF)

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

At the end of 2019, the House had a total of 24 *Meilleurs Ouvriers de France*, as follows: ten at the Cristallerie Saint Louis, three in Leather Goods & Saddlery division, two at John Lobb, four fabric printers at Ateliers A.S. and Siegl, two in *sabrage* at HTH, one in hand drawing at Gandit, one in weaving at ATBC and one in dyeing at AEI.

Concealed in a Hong Kong skyscraper, a quintessence of the House's savoir-faire

If you were to take the lift to the 22nd floor of a skyscraper stretching out from the heart of Hong Kong's Admiralty district, you'd expect to walk out into the offices of a large bank or the headquarters of a multinational. But you'd be wrong. What a surprise it is to discover artisan leather workers and their tools nested incognito in the sky. Welcome to a Hermès repair shop. A concentrate of the House's savoir-faire, hidden behind the scenes in major cities and available to customers around the world.

Here is the domain of Christelle, Farid and Alexandre, leatherwork magicians trained in French leather goods and dispatched to Hong Kong. A bevy of bags with the Hermès label are waiting patiently for a new handle, a colour stitch or a seam stitch at their gifted hands. In this workshop overlooking a city that never sleeps, time stands still. These objects with their individual histories come to life, recover, take on new colours, until they are ready for a new lease of life on the arms of their owners.

**2.3.3 CONTRIBUTION TO THE UN'S SUSTAINABLE DEVELOPMENT GOALS (SDGs)**

The Hermès 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 affordable and quality technical, vocational and tertiary education, including university".

Women have an important place within the House, representing 68% of the workforce. Access to vocational training for women and men within the House is encouraged by the in-house Ex-Libris University and internal schools for the *métiers*, as well as by more specialised external training.

- ◆ 4.4: "Substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship".

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: "Ensure that all learners acquire the knowledge and skills needed to promote sustainable development"

Raising employees' awareness of sustainable development takes place throughout the year. The outlines are instilled by the sustainable development department and relayed locally by the network of sustainable development ambassadors (HSE, SD committees, premises, 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 notably by the *Entreprise du Patrimoine Vivant* (Living heritage enterprise), contribute to the Hermès Group's efforts to protect and maintain artisanal savoir-faire. Moreover, the Fondation d'entreprise is committed to supporting live performances and contemporary photography.

More than 35 different leathers are used in the manufacture of objects

2



© Photographer: Christophe Bornet

2.4 PLANET: RAW MATERIALS

Introduction

The durability of Hermès' activities 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. Hermès' iconic materials – leathers, silk, cashmere and wood – are all natural, renewable and obtained in such a way as to minimise their footprint. 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. Naturally, the Hermès Group does not use materials or species that are threatened with extinction or are sold illegally. For decades, the House's approach has been to learn more about its supply chains, to share its requirements with its 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 the growth in volumes, were all opportunities to enhance dialogue and improved practices.

The model and values of craftsmanship guiding the House have always promoted the careful and respectful use of these rare and precious materials. To minimise offcuts the *métiers* put the materials to the best possible use, for example in leather, by making matching small and large items to use as much of the material as possible. In all *métiers*, channels are also identified to recover and recycle manufacturing offcuts.

2.4.1 CHALLENGE: SECURING HIGH-QUALITY SUPPLIES

The durability of Hermès' activities 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 Hermès Group's policy, which has remained constant for decades, involves getting to know its supply chains better, strengthening them to ensure the highest level of quality and ethical compliance and developing them to prepare for future growth.

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, in the Tanning and Precious Leathers division or some ingredients in perfumes. We must also comply with health regulations (hides from cattle and sheep that were raised for meat) and animal welfare regulations, in a situation where 92% of the hides must meet stringent French or EU legislation.

2.4.1.2 MEASURES IMPLEMENTED AND RESULTS

Leather

Leather is an animal product, specially tanned and made imputrescible, either in a tawery 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. Beautiful skins come from animals that have been well-treated and cared for. Hence, the Hermès 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 such as crocodile, alligator, lizard and ostrich.



One
committee
dedicated to
animal welfare

Calfskin

The House is part of a working group, Interbev (the French interprofessional organisation for meat and livestock), that brings together several French luxury brands as well as abattoirs and integrators. The aim is to define and implement a responsible French calfskin industry by introducing, and ensuring compliance with, skins' full traceability and strict animal welfare standards. This joint study also covers the environmental impact of the farms that breed and feed the animals.

In the firm belief that the traceability of the skins is vital to improving breeding practices and the quality of the skins themselves, the House continued with the laser marking of the raw skins received by the Tanneries d'Annonay and Tanneries du Puy. This laser marking, developed in partnership with the *Centre Technique du Cuir* (CTC - Leather Technical Center), offers traceability of calfskins from the farm to the finished leather. In 2019, 35% of the calfskins tanned in the division's two tanneries were marked. Rolling this equipment out to our suppliers' raw skin sorting lines will be a key challenge over the coming years, as will be the performance of the automatic skin reading devices in the tanneries.

Alongside this working group and our skin marking efforts, in 2019 the House embarked on a study, in conjunction with its partner WWF France, to measure the environmental footprint of the calfskin sector and identify areas for improvement.

Exotic skins

Virtually all of the exotic skins we use come from farms 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 in the United States, such as the Fish and Wildlife Service, the federal nature protection agency. In addition to strict compliance with the Washington Convention, in 2016 Hermès initiated a study with WWF France to assess respect for animal welfare and measure the environmental footprint of the supply chain for alligator skins in the United States. The progress plan drawn up at the end of this study continued to be actioned in 2019.

All the crocodile farming sites the House deals with, including of course those operated by the House, have signed a best practices charter. The charter was introduced in 2009 (an innovation for the profession at the time) and was updated in 2016. These best practices encompass in particular CITES regulations, animal welfare, the farms' environmental

management, employee labour conditions, safety at work and safety of infrastructures. All have undergone one or more internal audits in the last three years.

In 2018, the Tanning and Precious Leathers division took the decision to outsource the audits of the breeding farms and the meat processing and skin inspection sites to secure its relations through independent reviews. Following an initial study and call for tenders, an external consultancy (Bureau Veritas) was selected early 2019 to conduct these audits. The audit protocol linked to the best practices charter was fully reviewed with this partner, capitalising on the latter's expertise in the appraisal of breeding conditions in other animal sectors. The local auditors were also trained in the specifics of crocodile breeding. This audit process is part of a broader "Bureau Veritas Group recognition" of the sites. In 2019, 93% of the crocodile skins purchased by the Tanning and Precious Leathers division came from farms that had undergone an external audit. The farms not audited in 2019 will be audited in 2020. The progress plans drawn up with the farms will be monitored annually with local specialist consultants.

In addition to these efforts, which have been ongoing for over nearly 15 years, the Hermès 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 and brands). This association aims to develop and improve crocodile breeding practices by pooling the experience of its members and a scientific community specialised in crocodiles, which has gathered together all practices and existing scientific studies. 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 thus defined are backed by scientific studies. The founding principle is to evaluate animal welfare throughout the breeding process in a manner that is both objective and measurable. A certification process for the livestock of its founding members was introduced in 2019 with the help of the independent certifying body BSI. All farms that join the ICFA adopt the standard and are thus audited. This means that the division's farms will be audited in 2020. In addition to animal welfare, as defined by the FAWC (Farm Animal Welfare Council) and the Five Freedoms for animals, these audits cover environmental and societal aspects of livestock farming.

In 2019 we paid particular attention to farm biosafety rules which protect the livestock from the introduction of infectious agents. This essentially involved introducing strict requirements for animal transfers on the farms and between farms, writing disinfection instructions and putting in place pest control and animal vaccination programmes. Specialist vets for the species involved guided us in the definition and implementation of appropriate measures.

In the last two years the “lizard” (*Varanus Salvator* in Malaysia) and “python” (*Python Molurus* and *Python Reticulatus* in Vietnam and Malaysia respectively) divisions were also inspected by specialist vets, in collaboration with the Hermès Group’s local partner, the purchasing department and several scientists. These inspections are designed to ensure compliance with current regulations, traceability of the supply chain and that best practices are in place in the facilities.

Each of the aforementioned supply chains also has a system in place to trace individual skins. Thanks to RFID chips on the finished leathers, the areas in the country of collection (Malaysia) or the origin farms (Vietnam) can be traced back, as well as the different stages of animal transport or transit.

To supplement this, a study of the *Varanus Salvator* lizard supply chain in Malaysia was also launched. The goal of this work, which will continue in 2020, is to define best practices regarding: animal welfare (from capture *via* transport to slaughter...), environmental management, employee labour conditions, safety at work including facilities, compliance with CITES regulation and individual skins’ traceability.

Ostrich

In 2017, the House conducted a complete audit of the ostrich breeding sector (animals raised mainly for their meat and feathers), which are used in the production of its leather goods. Based on the conclusions of this audit, since 2018 Hermès has partnered with the South African Ostrich Business Chamber (SAOBC) to promote responsible ostrich breeding. This industry employs 15,000 people and contributes significantly to the social and economic well-being of rural communities. Hermès and the SAOBC were thus the forerunners of a working group which brings together a representative selection of ostrich breeders, processors, scientists, government regulatory bodies, ISO compliance specialists, veterinary specialists in animal protection, NGOs (RSPCA UK) and customers from the ostrich breeding sector. Hermès helped to finance this project which has led to the implementation of a standard, has also provided training for ostrich professionals and has piloted a certification system. The sites certification process will begin in 2020, led by an independent certifying body and steered by the SAOBC. The aim is for the whole sector to be certified by the end of 2022.

Other industries

Finally, the Tanning and Precious Leathers division regularly builds new partnerships and 100% of its subcontractors for leather processing have been audited or undergone HSE inspections over the last five years.

Animal welfare ethics

The Hermès Group policy is to do more than strictly adhering to the laws and regulations in this area. It works constantly with its tanner, tawer and skin supplier partners and, more broadly, with the professional industry bodies. It has put in place a very strict animal welfare policy covering its specific areas of direct responsibility at the reptile farms, extending also to its external partners. The policy is based on the following principles:

- ◆ a commitment to the fundamental principles of animal welfare (Five Freedoms) based on the most recent information supported by the best universities in the world. This essentially involves observing the animals and their behaviour, unlike more traditional practices which overlook the animal in the welfare assessment and focus solely on a physical analysis of resources;
- ◆ a multi-party collaboration to ensure that the animal welfare results obtained meet the requirements of a broad range of stakeholders, primarily the World Wildlife Fund (WWF), Royal Society for the Prevention of Cruelty to Animals (RSPCA UK), South African Ostrich Business Chamber (SAOBC), International Crocodilian Farmers Association (ICFA), Crocodile Specialist Group (IUCN-CSG), South East Asian Reptile Conservation Alliance (SARCA) and other professional organisations in France such as Interveau and Interbev;
- ◆ a formal governance framework: the House has set up an Animal Welfare Committee. An independent welfare expert is a member of this committee which meets at least every six months to update the policy and standards, measure progresses and ensure that resources are in place;
- ◆ implementation of strict best practices, specific to each animal supply, representing local community expectations and covering a broad range of areas such as farming and slaughtering practices, transportation, traceability, employee working conditions, the environmental performance of farms and their safety, the promotion of biodiversity, conservation of species and assistance to communities and populations. These standards aim to eliminate controversial animal welfare practices in these animal supply chains, limit the excessive use of antibiotics (only on prescription from a vet) and prohibit the use of growth hormones;
- ◆ an adapted monitoring system allowing progression of good practices by conducting regular internal, or external, controls and audits in the supply chains. Several audits were conducted in all our supplies in 2019 and are thus representative of all our animal material supplies;

- ◆ Hermès also continued to support the International Crocodilian Farmers Association (ICFA) initiative to draw up and introduce an international certification framework for crocodile welfare and sustainable farming practices at farms (see above). The Group will continue to work with the ICFA to support scientific research and the ongoing improvement of crocodile farming systems.

In addition to animal welfare, these audits cover environmental and societal aspects of livestock farming.

In 2019, 96% (by weight) of the skins used for the manufacture of our products came from by-products of meat production.

It is also important to mention that Hermès does not test its products on animals.

Textile division

The Textile division's activity essentially uses two materials: silk and cashmere. For these two precious fabrics, partnerships have been established for a long time with preferred suppliers.

Silk

The supply chain for high-quality silk relies on a collaboration of more than 20 years with a partner established for over 40 years in the state of Paraná in Brazil, because of the local climate particularly suited to silk farming. This partnership controls the whole production cycle, from silk worm farming, to cocoons production and their raw silk spinning, as well as the mulberry bushes growing from which the leaves are used to feed the silk worms. Silk is special in that it is a renewable product that has a positive impact on the ecosystems, primarily because planting mulberry bushes helps to regenerate the soil and consumes very little water. As the Bombyx Mori silk worm is particularly sensitive to all forms of agrochemicals (they only eat untreated, unpolluted mulberry leaves), they are very good indicators of the quality of the environment: so naturally the mulberry fields have a very rich biodiversity. There is adequate rainwater for growing mulberry bushes so no irrigation is required. The ecosystem sustained by silk production generates revenues for small local farms and over 2,500 families.

There is a dedicated annual budget to develop knowledge, qualitative techniques, sustainable activities and supply chains of these partners. There are many discussions and exchanges, not only between the division and these farms regarding programmes to improve production quality, but also between the division and universities to develop polyculture and permaculture.

Cashmere

Cashmere comes from the Capra Hircus Laniger goat, known as the cashmere goat, which lives in semi-arid regions of Upper Asia where winters are hard and temperatures can fall to -35 °C. The cashmere goat is particularly suited to this climate as it develops an extremely fine thick down under its permanent fleece at the start of winter, which provides effective insulation from the cold. When temperatures rise again, this down is shed naturally during the spring moulting season. When the time

comes – between April and May – the farmers comb the animals by hand to collect this down before it is blown away in the wind. It is this extremely soft fine down that is commonly known as cashmere. For weaving, Hermès selects the most beautiful fine, long and extremely white fibres from the best farms to achieve incomparable softness. The House's historic yarn manufacturer has built strong, long-standing relationships of trust with raw material suppliers, thereby ensuring supplies of an exceptional quality.

The HTH division has direct control over all the processing operations such as weaving, printing, finishing and manufacturing. This integrated process makes it possible to use exactly the right amount of raw materials, to streamline containers and packaging, facilitating the transport of products, and to optimise transport. Fundamental work on sustainable development in the supply chain has been initiated with the support of NGOs present in the breeding areas from which we source our materials. In 2019, an audit of practices was conducted with notably the support of the WWF France. Its conclusions reflected positively on the local practices in place, and led to an improvement action plan that we have already begun to monitor and which will continue in 2020. The objective is ultimately to monitor and support breeders' agro-pastoral practices aimed at preserving the resource and the biotope.

Precious materials

The precious materials used by the Watches division, Jewellery division and Leather Goods division are mainly gold, palladium and diamonds.

Hermès travels France and the world to identify best practices for its precious materials and make them more sustainable. The Hermès Group has had Responsible Jewellery Council (RJC) certification since 2013. The RJC is an international benchmark body for the profession. The audit to renew this certification (Code of Practices), which took place in 2019, was based on increasingly stringent criteria. Initially covering only gold, platinum and diamonds, the new certification rules now include silver and certain precious stones (rubies, emeralds and sapphires). In addition, supply chain management must take account of the OECD recommendations. To this end, the House promises its partners that it will promote the responsibility principles. This does not mean simply taking action with our first tier suppliers but also going further along the chain, as far as mining, for stones, and recycling or refining for metals. Significant transparency and audit work is already bearing fruit, especially for gold and diamonds.

Most of the jewellery is made from gold and silver, using pellets or primed materials such as plates or wires. This gold and silver is 100% recycled (from the European metal recycling chain of the jewellery industry itself or other industries such as electronics). In 2019, the Jewellery division teams visited the sites of half of the smelters in question, covering the vast majority of our volumes. These have CoC ("Chain of Custody") or RJC certification, which set strict requirements in terms of transparency and provenance of the gold, specifically drawing a distinction between industrial recycling and the recycling of bank ingots.

Precious watches are made primarily from gold and platinum using bulk material or primed materials from plates. This gold and platinum are recycled, and provided by a Swiss network that recycles metals from the watchmaking/jewellery sector. The smelter that covers the vast majority of our volumes provides 100% recycled materials. It is certified by the RJC against the CoC standard. In 2019, the watches division teams and two external auditors visited our supplier's site. As of the end of 2019, 100% of the gold and platinum used for the production in the workshops of the Watches division in Noirmont was recycled. The next stage, already underway, is to complete the mapping of the supply chain for some other components such as clasps and metal bracelets.

The promotion of the CoC standard across the supply chain is a priority for all the *métiers*.

From extraction in the mines to the sale of jewellery, watches or other leather objects in Hermès stores, the House's diamond sector abides by the Kimberley Process and its corollary, the World Diamond Council System of Warranties. All diamonds used by the House are natural and selected in accordance with the Hermès Group criteria. At the time of purchase, the client receives a certificate attesting to this compliance. This certificate traces the diamond from extraction of the raw diamond, to the cutting of its 57 facets, and its trading. Moreover, it also covers the setting in watches, their quality control, their delivery and their in-store sale.

The Kimberley Process, which came into force in 2003 and has been adopted by 81 countries including France, has prevented the arrival on the legal market of "conflict diamond", the sale of which funded guerrillas in unstable countries. The World Diamond Council (WDC) System of Warranties incorporates broader problems, such as working conditions.

Lastly, the gems or "coloured stones" market is more complex with a huge diversity of materials, provenances and players. These supply chains continue to be monitored in 2020, and since 2019 the RJC certification, which has been extended to ruby, emerald and sapphire, can also be promoted. For this category, the Jewellery division has created its own risk analysis grid to guarantee that social and environmental responsibility is a purchasing criterion as equally important as quality. Even if this could lead sometimes to reject certain stones by lack of traceability information.



Home division

At Hermès CATE, orders of plain porcelain and colour prints have been grouped and forecasted to meet the needs of a growing activity. This is key to provide visibility to Beyrand and different partners. A new initiative is in place to obtain commitments to sustainable supplies, over a minimum period of two years, with a requirement to provide advance warning if the situation changes. Regular audits of raw materials suppliers, especially dye suppliers, have continued focusing mainly on HSE (Health, Safety, Environment) and production capacity criteria. In parallel, a plan to secure supply in necessary quality and quantity has been emplaced in collaboration with partners.

In 2019, Puiforcat committed to improve its quality specifications toward its suppliers and subcontractors. As a result, a quality control grid has been created and roll out for semi-finished or finished solid silver cutlery products, including more than 300 products references.

Perfumes division

In 2019, the CNP drew up a code of ethics which translates its CSR commitments in terms of product development. This charter offers guidelines on formula and products development for all players. This charter aims to be a stringent innovation and challenging path for suppliers, a source of inspiration for creation and a trust agreement with customers.

The charter sets out commitments for the full product value chain, from creation *via* production to distribution. CNP objectives are to increase the percentage of natural ingredients in new products, to guarantee the responsibility and sustainability of its sectors and to reduce excessive packaging.

2.4.2 CHALLENGE: MANAGING RAW MATERIALS SPARINGLY

In addition to the House's initiatives aiming at limiting the consumption of materials, its artisanal model has always included usage optimisation and measures against materials waste in its activities. Each *métier* and production unit commits to use materials wisely throughout their lifecycle, to reduce waste and to promote recycling.

2.4.2.1 POLICY

The Hermès Group's policy evolves around using raw materials wisely. Inspired by circular economy principles, the Hermès Group has launched initiatives promoting materials reuse, internally or externally, in order to limit overall materials consumption. Besides, 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 the sustainable use of product requirements. . This policy helps to best align purchases with needs and thereby reduce waste. Each *métier* works to constantly improve the use of these rare and precious materials, consuming only what is necessary.

As detailed below, the Group has also launched a number of initiatives to reuse its material, following a circular economy logic, for the most representative métiers in terms of materials consumption.

Leather

The leathers used by Hermès are rare and of exceptional quality. Our rigorous selection process is guided by our desire to create sustainable products. As Robert Dumas said: “a luxury product is one that can be repaired”. Hermès leather goods are made to last and to be passed on. As such, our cleaning and repairing service is being developed with the opening of a second dedicated workshop at our Pierre-Bénite production 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 cutter's artisan 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 optimisation, in particular by matching different models cut out of the same skin. Coordination among production units is managed on a daily basis to optimise the use of offcuts and skins. A Best Practices Guide is reviewed annually at each leather goods manufacturing site and optimisation is monitored monthly with all sites. This guide is gradually supplemented with new best practices tried out by cutter's artisans with positive results. In 2019, in support of these common standards, 69% of the sites were assessed by the central team (Leather Goods & Saddlery division's production management) on the enforcement of best practices in leather goods. In addition, the sites hides' consumption target, managed on a monthly basis, makes it possible to achieve 98.8% optimisation. This helps to ensure that the quantity of hides used, measured in surface area, continues to improve from one year to the next. In addition, the diversity and wealth of our collections represent an unrivalled opportunity for optimal use of our exceptional leathers.

Textile division

Once the raw materials have been provided (essentially silk and cashmere), the Textile 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. All manufacturing units in the division are involved in very active waste and offcut minimisation programmes, part of the quality initiative that drives the whole sector. To further reduce waste, in 2018 the division introduced a new production logic that involves working with “exactly enough” as opposed to “surplus” supplies.

Optimum use of materials is an ongoing objective of the division production model. For example, certain silk accessories are 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 textiles, by reducing offcuts. Finally, a working group of

representatives from each HTH division unit was launched at the beginning of the year to optimise cashmere use. This led to a reduction in samples taken for quality control. In 2019, we also began to define optimal cashmere use to ensure the surface used in printing is as close as possible to the woven surface without comprising on quality. This work will continue in 2020.

Through the close monitoring of products initially discarded, and a strong development dynamic with the métiers, up-cycling has led to the design of new products, including one-of-a-kind items, overdyed products or uniforms for sales associates. Rejects were thus reduced by 30% this year.

The division is also working with a number of different service providers to find ways to re-use and recycle textile waste and production offcuts. A multidisciplinary working group has begun to work with partners in France and abroad to research methodologies for recycling silk and cashmere. Several tonnes of materials were used in tests for the recreation of new materials or clothes. This has led to a project for jumpers with 20% recycled silk, bobbins of recycled silk and cashmere thread are being trialled by the manufacturers, silk/cashmere covers have been piloted and we are currently testing sound insulation panels also made from silk and cashmere offcuts in HTH's temporary premises. This proliferation of initiatives is aimed at putting in place industrial processes to up-cycle most of our production waste.

Since June 2018, a multidisciplinary team from the Ateliers AS and SIEGL production sites and process departments has been seeking ways to reduce adhesive consumption at the printing sites. Adhesive is vital for this process because it holds the textile in place during printing but it contains solvents which are harmful to health or dangerous when emitted into the atmosphere. The Group's work is twofold: finding substitutes for the adhesives currently used and improving the placing procedure to reduce consumption.

In addition to these major areas coordinated by the division, each site also suggests initiatives for the responsible use of its materials and reduction of its consumables. For example, the AEI site is analysing the quantity of materials not used for packaging items, alongside modifications to its packing machines and has also reviewed delivery conditions with some of its clients. At Gandit, despite more stringent material quality requirements, the number of printing frames recycled is constantly growing (17% in 2019 compared to 10% in 2018). Recycling is also a priority for ATBC Challes (horsehair weaving) where warping cones are systematically re-used. In a similar vein, the fixing and rinsing workshops at Ateliers AS and SIEGL have equipped their 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 the service provider Paprec.

Home Division

A process has gradually been implemented whereby the “blanks” (porcelain pieces before application and firing of the decor) are positioned based on their own characteristics, all different, so that they receive the decoration that is best adapted to them. Using this method has enabled us to prevent a significant number of pieces from being rejected each year.

At Beyrand, the introduction of CTS (Computer-to-Screen) digital engraving of the printing frames has reduced the use of traditional film and the consumption of water and development products (fixer and developer).

To optimise the use of its material resources, in 2019 Puiforcat began to re-organise the storage of the different raw materials to make the best possible sizes and quantities available and, thereby, avoid superfluous waste.

Cristallerie

Thanks to the technology adopted for the new gas melting furnace, in operation since 2016, more cullet can be recycled compared with the previous facility, thereby reducing the consumption of raw materials and the waste transportation flows as well as the energy required for operation of this furnace.

Waste reduction, a major economic and ecological challenge for Cristallerie Saint-Louis, is closely tracked operationally. Cullet recycling increased by 65% in 2019 despite the difficulties encountered in the operation of the new gas melting furnace. This recycling rate, which is high compared with the sector average, remains an area to be worked on and stabilised over the coming months.

Wood

For Hermès, wood is a noble material that must be managed in the best possible way. The House gathers information about the wood used, primarily for the Home *métier* and shop's furniture. For the purposes of supply chain traceability all the countries of origin, species used, forest types (plantation or natural forest) and supplier certificates are monitored and recorded. The risk assessment checks for corruption in the country and the species appearing on the UICN and CITES red lists. Recently, the Hermès Group commissioned the WWF to conduct a full analysis of the wood and paper supply chain, including the risk criteria applied to suppliers. There is ongoing commitment towards our suppliers and we are also seeking FSC certification for 100% of our paper bags. To demonstrate our commitment, Hermès completed the CDP Forest questionnaire for the first time in 2019 and obtained a B rating, demonstrating the success of its efforts.

Petit h (see section 1.5.7.7) and internal reuse of materials

In addition, the efforts of Petit h and the artistic department 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 craftspeople, 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 division, 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. Petit h is also a lab used by the *métiers* to identify novel up-cycling solutions which are then sold on a wider scale.

After-sales

The use of skilled craftsmanship to create Hermès objects means that they boast the advantage – a rare feature in today's world – that they can be repaired. This prolongs their life and delights our customers. This expert service is provided by a dedicated team of 45 people and 33 expatriate craftspeople. The After-Sales service covers all the House's *métiers*. These experienced craftspeople are seconded through an in-house mobility scheme.

The training for an expatriate craftspeople lasts seven months during which they learn to work on all types of products (bags, small leather goods, leather jewellery accessories or belts). They also take language lessons and are trained on the IT systems.

The presence of these craftspeople in five European cities, including France, six cities in Asia and three in the United States, places us closer to our customers to handle their requests, most of which are due to product wear and tear.

In 2019 After-Sales department received almost 100,000 requests, mainly for bags and luggage, jewellery accessories, belts, jewellery, footwear and silk. After-Sales also offered new services in 2019, such as over-dyeing of silk scarves and cleaning sneakers, which extend the life of the products. All repair requests are examined, without exception, as are all small repairs to extend product life: in this way the House accompanies the daily wear and tear of its products over time.

This service to customers marks the House's uniqueness and promotes product durability to customers, with 700 different services offered, no time limit on repairs, personalised, tailored solutions and the regular launch of new services.

Management of unsold stock

The Hermès business model, based on the stores' freedom to purchase and the desirability of the products, means unsold stock volumes are naturally very low. Local subsidiaries arrange inter-store transfers to optimise sales at regional level. The retail subsidiaries hold special sales to the public to offer products which have not been sold in the stores to a wider audience. This happens twice a year in France, at the Paris Palais des Congrès, but also in all parts of the world. There is a year-round staff sale system for employees, another channel to limit wastage. In addition, for several years now, donations of de-branded products have been made to different partner associations. In France, for example, these donations are considerable. The House will comply with the French regulations on recycling of unsold stocks by 2022.

In Japan, a love passed on from mother to daughter

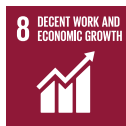
Eriko will never part with the Kelly she was given by her mother. Contemplating it, with the patina of the years and habits of the person who carried it and loved it before her, she feels this emotion so accurately described by the Japanese writer Jun'ichir Tanizaki, who wrote: "To a superficial brilliant shine we have always preferred deep, slightly muted glints, this gently altered brilliance which irresistibly evokes the passage



of time." To this young woman, a secretary at Tokyo university, there is no object more precious in the world than this bag that has been refurbished and repaired several times. She knows where her long-time companion came from and what it has lived through. Every scratch, every replaced stud, holds so many images and memories. Its dark contours hold much more than her simple everyday objects. Like a diary, it contains a story passed on from mother to daughter.

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

"Raw Materials" constitute one of the main challenges of the sustainable development strategy, and measures taken by the Hermès 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 progressively global resource efficiency in consumption and production and endeavour to decouple economic growth from environmental degradation".
The focus on the use of materials is reflected in particular in efforts to optimise 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: "Achieve the sustainable management and efficient use of natural resources".
Optimising the use of exceptional materials is one of the daily concerns of the Hermès Group's *métiers*. In a context of scarcity of resources, ethics, security of supply 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: "Substantially reduce waste generation".
Waste generation is reduced by implementing concrete actions not only to economise at production level but also to prevent waste generation by promoting eco-actions notably. The Hermès 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 and adaptive capacity to climate-related hazards and natural disasters in all countries".
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: "Ensure the conservation, restoration and sustainable use of terrestrial and inland freshwater ecosystems".
The Hermès 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 implementation of sustainable management of all types 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 Hermès Group. Several leather goods sites have planted fruit trees, favouring traditional and local varieties, and have planted green spaces as beautiful flower meadows. A beekeeping club looks after the hives at the French production sites. The preservation of wetlands in Louisiana, where certain exotic skins originate from, is another example of this.

The filter gardens at the Cristallerie de Saint-Louis

2



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. In 2002, the Group launched an environmental programme aiming at limiting the impact of its activity across all areas. Pragmatic but ambitious solutions to preserve the environment in the long-term are systematically sought, trying to go further than what is required by regulations wherever possible. The priority is to control our impacts across the entire value chain, from upstream agricultural production to distribution, and from purchases to internal operations. This commitment is a mindset that requires the involvement of everyone, from investment decisions to everyday eco-actions, together with a robust Environmental, Health and Safety (HSE) culture on all sites. It is structured around policies, procedures and tools. Since 2012 in particular, the Group has set up digital management systems to measure the environmental footprint of its sites. In 2013, the approach was extended to include a greenhouse gas emissions calculation; since 2015, the environmental impacts of the Hermès Group's construction have also been measured using an automated process. These efforts drive improvements in our operational practices.

Accordingly, since the Hermès Group launched its environmental programme in 2002, and despite the six-fold increase in its industrial output:

- ♦ water consumption by industrial sites increased by only 18%, reflecting the efficiency of the programme and the water-saving actions, in particular within the tanneries and the Textile division, where water is a precious resource;
- ♦ energy consumption by industrial sites increased by 1.9, testifying to the improved control of consumption, since tanneries and La Cristallerie use half of the energy consumed by the industrial sites.

Environmental topics are supervised by a member of the Executive Committee in charge of the Manufacturing division & Equity Investments, who is supported by his Deputy Managing Director, in charge of the House's industrial affairs department, and by the construction development department. 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. These various challenges go hand-in-hand with practical objectives shared with the Executive Committee.

From a regulatory perspective, the Hermès Group's policy is to establish action plans that are adapted to the various *métiers*, in order to understand and comply with regulations (primarily adapted to a very rigorous European environment) but also to monitor progresses made.. Each *métier* is responsible for monitoring and implementing the applicable regulations. The industrial affairs and construction departments are responsible for alerts, oversight and control in this area.

Description of risks and challenges

The House's industrial affairs and construction departments have implemented programmes to address the House's environmental challenges.

1) *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 (HSE) regulations and to prepare for changes in these regulations whenever possible. The industrial department coordinates a network of HSE 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 the activities, prepare the energy transition and adapt to climate change.

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 to the principle of respecting and protecting nature. The Hermès Group's commitment to the "Act4Nature" initiative in 2018 has added a focus on biodiversity to this commitment. The partnership with WWF France supports this commitment;
- ♦ the implementation of a *métier*-based environmental management system, coordinated by the industrial affairs department and operating on a network basis (see network of HSE operatives above);
- ♦ a desire to use natural resources sparingly, particularly with regard to energy, water, and, more broadly, all natural materials needed to manufacture products;
- ♦ reduction of the Houses's environmental footprint, especially, especially in terms of discharges, emissions and waste management, which includes seeking to optimise the resources used. Since 2012, the Hermès Group's policy has incorporated the concept of voluntary carbon offset (see "Livelihoods" 2.5.2 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;

- ◆ external stakeholders dialogue. Since production is mainly in France, a large part of these discussions is carried out in the legal framework of the DREALs (Regional Directorates for the Environment, Development and Housing), but there are also frequent discussions with the municipalities where our sites are located. In addition, the natural material supply policy (for exotic leathers, for example) includes a discussion with the relevant professional and regulatory associations (such as the WWF, Crocodile Specialists Group, CSG or IUCN);
- ◆ more recently, Hermès has signed the Fashion Pact, committing for clear environmental goals, such as: 100% renewable energy by 2030 in direct operations and 30% reduction in carbon emissions by 2030;
- ◆ lastly, the House is committed to recycling by securing sustainable recycling processes and sector specific developments, to use these new materials .

2) *Construction assets*: since 2008, the Hermès Group's environmental construction policy has been coordinated by the construction development department, based on the following principles:

- ◆ the systematic adoption of an environmental stance during building work;
- ◆ helping to protect the environment by integrating buildings with their surroundings and the local architecture, while simultaneously respecting the ecosystem;
- ◆ the use of renewable energy sources whenever possible (Maroquinerie de l'Allan, Manufacture de Haute Maroquinerie, Maroquinerie de Belley, Les Abrets, Nontron);
- ◆ 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, as far as possible, and monitoring changes in regulations and techniques to take them into account in projects, in close collaboration with stakeholders, architects, engineers and suppliers.

Since 2016, in order to improve the coordination and control of environmental actions involving internal staff and external service providers, the Hermès 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.

This sustainable construction framework is designed to adapt to the specific characteristics and functions of the Hermès Group constructions. More stringent than the main frameworks existing on the market (LEED, BREEAM, HQE), it covers about 30% more criteria.

The performance levels required by the Hermès construction framework mostly stricter and take into account the geographical, regulatory and economic environment of the construction project.

Some themes are specific to it, namely the consideration of non-conventional consumptions (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 construction materials.

In 2019, the Hermès Sustainable Construction Framework included ambitions in line with Hermès Group's commitments to respect Biodiversity (Act4Nature) and to reduce emissions generated by construction.

This framework applies to all new construction or renovation projects relating to office, production and distribution sites in France and abroad. It involves Group's project managers and external partners selected by the construction department.

Industrial activities

Since 2012, in order to monitor environmental data from its industrial sites, Hermès has used 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. Since 2018, all industrial environmental indicators are reported for a period running from November through October. For methodological reasons, some of the activity data used in the Scope 3 carbon emissions calculation cover a calendar year.

For the sake of precision, the consumption (water, energy) of farms in the Precious Leathers division in Australia and the United States is presented specifically in this document.

The energy consumption of some stores for which information is not available (e.g. those located in shopping malls) is not included in this document.

Moreover, consumption figures for certain leased sites, for which no data are available, are not taken into account either as they are not significant.

Analysis and monitoring of environmental performance

Oversight of environmental actions occurs in different ways. The industrial affairs department and its HSE 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 (section 1.10 in the "Risk factors" section). Lastly, external controls are performed on the Hermès Group's suppliers to ensure coverage of all entities. The industrial affairs department consolidates the results of these audits as part of an ongoing process of improvement.

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 2019, no fines or formal notices were handed out to any of the Hermès Group's industrial sites.

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 €3.8 million.

Financial guarantees

In accordance with Article R. 516-1 of the French Environmental Code, the tanneries located in France fall within the scope of the framework for providing financial guarantees. These guarantees aim to ensure the site's supervision, the continued safety of the installation, any interventions in the event of an accident and/or pollution before or after closing, and the site's restoration after discontinuing the activity. Moreover, they also allow public bodies and local authorities to guard against any insolvency and/or default by an operator and, accordingly, to prevent the creation of orphan sites. The files relating to the tanneries have been submitted to the respective DREAL/DRIEEs responsible for the sites. The Tannerie d'Annonay is currently the only site which has received its additional prefectural order to implement these financial guarantees. The other files are still being reviewed and should be approved in the course of 2020.

2.5.1 CHALLENGE: LIMITING CONSUMPTION OF NATURAL RESOURCES (WATER, ENERGIES)

The use of natural resources and their long-term availability are fundamental challenges for human development and the sustainability of the House's activities. The control of water and energy consumption, inseparable from ecological and economic responsibility with respect to the major global challenges facing us today, is therefore a goal shared by all the House's divisions. Thanks to its artisanal model, Maison Hermès is distinguished by a low energy and water footprint in absolute terms. Its footprint is even lower in relative terms (the Hermès Group has one of the lowest carbon intensities of the CAC 40 companies in France). The métiers are working to limit their respective consumptions. Their efforts are described in more detail below.

2.5.1.1 POLICY

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 resources efficient technologies;
- ♦ innovate by using environmentally-friendly solutions (in energy, for example).

The House has a policy of using renewable energies. In particular, it works with the construction development department for the installation of photovoltaic panels, the supply of green electricity for sites in France, and the use of wood-fired boilers on some sites.

Everyone's efforts are needed at every site if we are to achieve these goals.



- 7%
**industrial
water consumption**



- 2%
**industrial energies
consumption**

2.5.1.2 MEASURES IMPLEMENTED AND RESULTS

Water

Water for industrial use is mainly used for industrial consumption in the tanneries and textile units (668,469 m³/year at global level).

Over the last 10 years, the Hermès Group has maintained its aim of decoupling, with industrial water consumption changing by a factor of 1.9 while activity grew 3.6-fold.

In 2019, global water consumption for industrial use fell significantly (down 7%) compared to 2018, despite a rise in activity at constant rates of 12.4%. This was thanks to the efforts of the tanneries and textile teams in particular, which reduced their water use in industrial processes.

In 2017, the general services department implemented an initiative to optimise consumption over the 140,000 m² of the buildings in Île-de-France. Between 2017 and 2019, despite an increase in surface area, this approach helped us reduce our electricity consumption by 9%, gas consumption by 17% and district cooling by 12%. These significant declines were achieved thanks to a new, powerful tool that enables centralised data collection, analysis and alerts, thus making it possible to identify specific sources of progress, optimise the programming of our buildings and pinpoint which equipment needs to be updated. This initiative will be fully rolled out by the end of 2019 across 56 sites, covering a total of 220,000 m² in France.

In addition, the farms (United States, Australia) use water in the crocodile breeding tanks, representing a volume of 4,513 km³/year (water withdrawal including recycled volumes from the cane sugar production plant).

As mentioned under section 2.5.2 “Adapting to climate change”, a water risk assessment was conducted alongside WWF in 2019 using the Water Risk Filter and Acqueduct tools, the latter being developed by the WRI (World Resources Institute). The findings will be gradually incorporated into the sites’ action plans.

Water usage data by stores are not published owing to the insignificant proportion of the Hermès Group’s overall water use it represents, being mainly water used in washrooms.

Access to water

It should be noted that Hermès is committed to providing all its employees with access to drinking water and sanitation and hygiene facilities at their workplace.

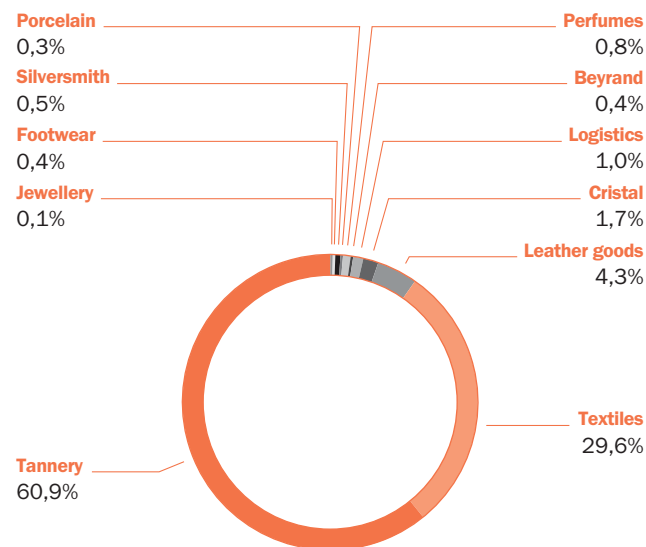
INDUSTRIAL WATER

IN THOUSANDS OF M ³	2018	2019
Tanneries	434	407
Textile	219	198
Leather	33	29
Cristallerie	11	11
Other	23	23
Total	720	668

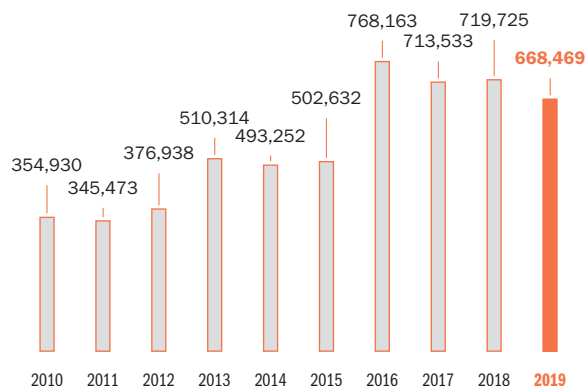
Note: figures for farms in the United States and Australia, whose consumption is by nature different, are not included in these charts.

GROUP	2017	2018	2019
Intensity m ³ /Revenue €M	129	121	97

INDUSTRIAL WATER BY MÉTIER IN 2019



CHANGE IN INDUSTRIAL WATER CONSUMPTION (IN M³)



Tanneries

Hermès operates six tanneries, four of which are in France (Annonay, Le Puy-en-Velay, Vivoin and Montereau), one in Italy and one in the United States.

Water consumption and effluent treatment are major challenges for the Hermès 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.

Water consumption control is based on monthly monitoring of 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 analysed and verified in order to locate and repair any possible leaks. The division's total water consumption was down 7% in 2019 for production activity very similar to that of 2018. This decline was driven by all the daily efforts described above and in particular the measures implemented in the Puy tannery to optimise water consumption for process requirements (2016 consumption: 315 K m³, 2019: 204 K m³).

TANNERIES (FROM NOVEMBER 1ST N-1 TO OCTOBER 31ST N)

	2015	2016 ¹	2017	2018 ²	2019 ²
Water in m ³	184,956	501,775	436,997	433,895	407,231

(1) The reporting scope includes Les Tanneries du Puy, acquired in November 2015.

(2) The reference period is the 12-month period from November 1st of the previous year to October 31st of the current year.

N.B.: figures for farms located in the United States and Australia, whose consumption is by nature different, are not included in these figures.

Farms

The Farms division comprises an alligator farm in the United States (*Alligator mississippiensis*), three crocodile farms in Australia (*Crocodylus porosus*) and two hide processing and inspection sites in Australia. They represent a strategic link in the crocodile hide supply chain.

Water consumption and effluent treatment are major challenges for the farms. Water is a vital component in the breeding of crocodilians, which are aquatic reptiles. Their body temperature varies according to external factors (air and water temperature, in particular). As such, they require breeding tanks with the right water temperature and satisfactory bacteriological quality, which contribute to the thermoregulation process and their well-being.

The water used in the farms of the Australia division comes mainly from boreholes (63%) whereas the use of municipal sources is limited (11.38%). The balance (25%) corresponds to recycled process water used in a sugarcane production plant located near a farm. The water from this sugarcane production plant alone covers half the neighbouring farm's requirements throughout the greater part of the dry season (from June to December), while also saving energy. The sugarcane extraction process produces a high amount of steam. Some of this steam, converted into water with a temperature of between 50 and 60 °C, is then channelled to the farm via a 10 km-long pipe. The temperature and flow achieved at the farm's entrance are then adjusted so that the water can be used in the tanks immediately. Use of this water doubled between 2015 and 2018, thus requiring a storage basin to be built in 2016 to absorb these additional volumes and allow the water to cool down slightly before directing it to the tanks. Depending on climate conditions and the stage in the breeding cycle, the water can be pre-heated or the

temperature kept stable by way of boilers. In addition, as is discussed below in section 2.5.3.2, an industrial ecological system has been implemented locally as wastewater from this farm is then used to irrigate the sugarcane fields.

The American farm uses only borehole water derived from hot water sources, enabling it to substantially limit its energy requirements.

Water consumption control relies on the monthly monitoring of the farms' water consumption and the water quality of the tanks and effluents (in accordance with applicable standards). Each farm is thus equipped with biological effluent treatment tanks (see "Effective waste management solutions" below). In 2019, the farms abstracted 4,513 km³ of water. The water sample data from the Pinnacle farm in the United States contains significant uncertainties related to the measurement equipment installed in 2019.

Textile division

Water is an essential and precious element in silk ennoblement, whether used in washing, dyeing or dye preparation processes. The Silk division makes daily efforts to minimise its water requirements, find innovative solutions to increase the proportion of recycling, and quantitatively monitor the impact of the actions carried out.

By way of example:

At the AEI site, in order to mobilise each employee to achieve the targets, the quantity of water used per kilogram of silk produced is included in the calculations for incentive schemes. The division's water consumption is also a sector-specific incentive criterion for all HTH employees.

The ITH and AEI sites have conducted campaigns to identify and treat leakages in water used for sanitary installations. These actions helped reduce the consumption of municipal water by 2,000 m³ (i.e. 30%) at both sites.

The Gandit facilities engraving line, the main water consumer at the site, was reconfigured this year to operate at 57% in a closed circuit. Since 2017, the site's green space has been watered using a rainwater harvesting system.

At Ateliers AS, the total decline in water consumption (domestic and borehole) was 4.6%. These results were achieved thanks to the continued implementation of the daily water consumption monitoring plan, and the full-year effect of the investment made in 2018 on the washing machine for several printing lines, allowing water to be recycled by decantation, which is much more effective than the previous system. The commissioning this year of a new printing line that incorporates the latest water recycling improvements should make it possible to continue these positive results in the long term.

At SIEGL, a technical study was launched to improve the performance of the existing treatment plant. After several tests involving various possible processes, the construction of a new plant started in October and is due for completion at the end of 2020. The specifications include clear targets for reusing the water effluents generated by the processes, with a first target of 5% recycling as from 2020 (year in which the facility will be started up and developed). Furthermore, the process for washing digital printing machines has been changed.

Maintaining or launching these various local initiatives has delivered practical results, since the sector's overall consumption has been declining for several years in relation to its activity.

Over a period of five years, the sector has managed to reduce its water consumption by 22.7% in its production of silk scarves and other textile products, despite the activity's growth.

TEXTILE (FROM NOVEMBER 1ST N-1 TO OCTOBER 31ST N)

	2015	2016	2017	2018	2019
Water in m ³	256,534	210,577	219,968	219,458	198,300

Leather

The production units of the Leather Goods division have a low environmental impact in terms of water, which is used only for sanitary purposes. No water is used in production processes.

With consumption of 28,802 m³ in 2019, the Leather division's water consumption declined by 4,005 m³ compared with 2018. The ratio measuring water consumption (at constant activity scope) improved by 21% compared with 2018.

There are three main reasons for these results:

- ♦ the implementation of management tools enabling more precise management and earlier identification of any leakages;

- ♦ water-saving actions. The Sayat production unit, for example, has introduced flow rate restrictors in the sanitary facilities;
- ♦ the implementation of communication and operational control actions among employees.

The "Water" environmental impact is taken into account when designing new production units: in the most recent Leather Goods division's units built (Tardoire, Iséroise & L'Allan), a rainwater harvesting system has been installed to supply the sanitary facilities with water (main source of water consumption in our production units).

LEATHER (FROM NOVEMBER 1ST N-1 TO OCTOBER 31ST N)

	2015	2016	2017	2018	2019
Water in m ³	27 929	24 590	27 274	32 810	28 802

Cristallerie

Water consumption totalled 11,358 m³ in 2019. In comparison to previous years and with respect to the activity level, this consumption is stable. The savings made with respect to the previous year were mainly due to technical optimisations applied to the melting and finalisation

processes, with new installations enabling water recycling, together with organisational efforts to reduce water consumption.

Moreover, a study was carried out to identify a solution to recycle the wastewater treated by the neutralisation station.

CRISTALLERIE (FROM NOVEMBER 1ST N-1 TO OCTOBER 31ST N)

	2015	2016	2017	2018	2019
Water in m ³	11,662	10,578	12,275	11,088	11,358

Energy (electricity, gas)

Energy consumption (electricity, gas) is 203,640 MWh/year at Group level. The energy is almost entirely consumed by manufacturing activities (the cristallerie, the tanneries, textile, leather), which represent nearly 78%, i.e. 158k MWh/year (stores and offices represent 22% of the total). The consumption of renewable energy generated by the Group

(photovoltaic panels, wood-burning furnaces, geothermal energy, biomass, etc.) is not consolidated due to its low materiality.

The Group's consumption is distributed as follows, in a context in which the Hermès Group manufactures 61% of its objects in Hermès exclusive and internal workshops.

GROUP IN MWH	Industry	Stores	Services	Total	Intensity in GWh/Revenue €M
2017	160,662	31,234	16,510	208,406	0.038
2018	161,531	31,305	15,846	208,682	0.035
2019	158,117	31,952	13,952	203,640	0.030
2019 in%	78%	16%	6%	100%	

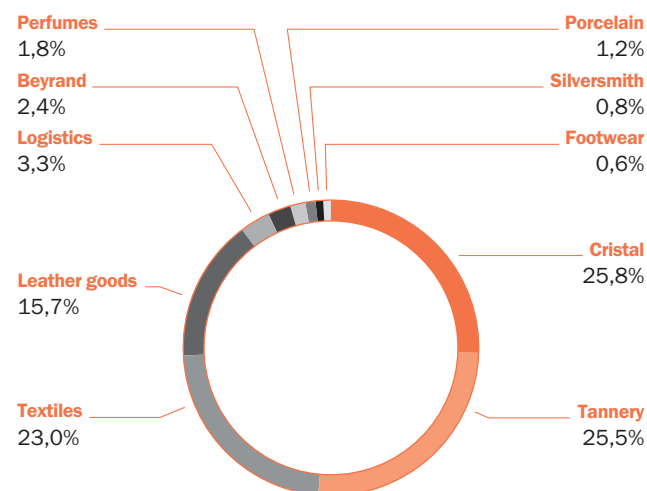
Over the last decade, the Hermès Group has maintained its ambition of decoupling consumption from growth with an increase in industrial energy consumption of 1.34 times compared with an increase of 3.6 in activity volumes. This result testifies to the improved management of consumption. In 2019, total energy consumption decreased slightly (-2.1%) compared to 2018.

Overall, energy consumption in La Cristallerie, Textile, Leather, Tannery and Construction divisions was down slightly compared with 2018, despite increased activity, marking the efforts made in this area.

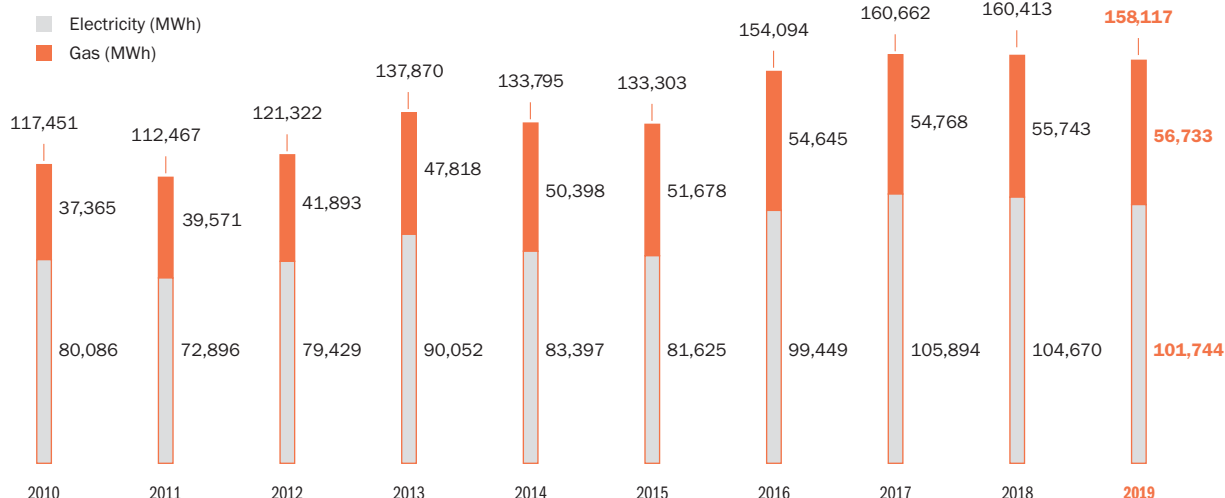
INDUSTRIAL ENERGY

IN GWH	2018	2019
Cristallerie	42	41
Tanneries	41	41
Textile	37	35
Leather	24	22
Other	18	19
TOTAL	162	158

ENERGY CONSUMPTION (GAS, ELECTRICITY) BY MÉTIER 2019



CHANGE IN ENERGY CONSUMPTION (ELECTRICITY, GAS) IN 2019



INDUSTRIAL - GROUP

Intensity in MWh/Revenue €M

2017

2018

2019

29

27

23

Since November 1st 2015, Hermès has decided to participate actively in the energy transition process. All the French sites (production, services, stores) are now 100% supplied with green electricity (hydro) produced in France. Worldwide, the Group was 78% supplied with green electricity in 2019.

In signing the Fashion Pact, the Hermès Group has committed to lead its companies towards actions that are compatible with the Paris agreement 1.5°C trajectory, through a "fair transition" to achieve net zero CO2 emissions in 2050. Since 2002, the Hermès Group has been decoupling energy consumption from the growth of its activity: the energy consumption of the industrial sites has only doubled, while industrial activity has quadrupled, testifying to improved management of its consumption. In 2019, this indicator was included in the calculation of the Executive Chairman's compensation. To continue these efforts, since September 2019 Hermès has been auditing energy consumption on all industrial sites, office sites and stores in France. The audit results have provided data for the energy sobriety action plans for each of these sites. For its new sites, particular attention is paid to environmental impacts and more specifically to energy consumption. New production units are built with future energy efficiency in mind. This entails advance work structured around priorities: adjusted construction measures, energy consumption, energy management tools, sobriety of the equipment installed and implementation of renewable energy production solutions.

The general services department has established an energy Management System that includes water consumption. This tool has triggered a dramatic drop in water consumption (down 10% from 2017 to 2019) thanks to the management of alerts through remote meter reading and the replacement or improvement of certain equipment in the Île-de-France buildings.

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 gas melting furnace) as well as the reorganisation of the hot-part workshop are good examples of this.

Although the production unit's output increased by volume, the initiatives implemented in 2019, particularly the optimisation of the operating settings for multipot furnaces and the gradual replacement of high-consumption equipment, helped to improve the production unit's energy efficiency.

Total energy consumption changed following the replacement of the main multipot furnace at the end of 2016. The various operations and adjustments made during 2019 to stabilise this new facility have had a positive impact on the energy consumption profile. Electricity consumption has stabilised, whereas natural gas consumption decreased compared with 2018. The replacement at end-2018 of a natural gas-fired cellular furnace by an electric energy facility, and the replacement at end-2019 of two openings, are part of this strategy to optimise the site's energy efficiency.

The site's fuel oil consumption corresponds to that of the generators, especially during their periodic testing. The replacement of the generators in 2016 and 2018 has substantially reduced the site's fuel oil consumption.

Lastly, a new energy audit was conducted in 2019 with a focus on the production unit's process and buildings, and energy savings and recovery. The findings of this audit will be used in projects conducted in

the coming year, in particular the renovation of the Logistics division, which will be carried out in 2020 and 2021.

CRISTALLERIE (FROM NOVEMBER 1ST N-1 TO OCTOBER 31ST N)

	2015	2016	2017	2018	2019
Electricity in MWh	8,578	7,534	6,599	6,927	6,954
Gas in MWh	27,020	27,303	35,193	35,243	34,251
Fuel oil in MWh	190	96	71	27	32
TOTAL	35,788	34,933	41,863	42,197	41,237

Tanneries

The division's power consumption remained stable between 2018 and 2019.

The Tanneries are continuously working to improve the energy efficiency of existing facilities, during renovations or during the construction of new premises. By way of example, the following points are receiving special attention: supervision of equipment by centralised technical management system (GTC), thermal insulation of buildings, insulation of pipes, and the replacement of conventional lamps by LED lights.

Moreover, the Tannerie de Vivoin benefited from an energy audit in 2019 as part of the energy audit programme initiated by the Hermès Group. This audit is not directly covered by the regulatory framework governing the performance of an energy audit (Decree No. 2013-1121 of December 4th 2013 and Article L. 223-1 of the French Energy Code), since the Tanning and Precious Leathers division's tanneries are not subject to the regulation. However it includes the same regulatory requirements and supplements them with a thorough analysis of the buildings and technical equipment. This programme will be rolled out in the Tanning and Precious Leathers division's other tanneries in 2020.

The Paris headquarters of the Tannery division conducted a regulatory energy audit of its premises during the year.

TANNERIES (FROM NOVEMBER 1ST N-1 TO OCTOBER 31ST N)

	2015	2016 ¹	2017	2018 ²	2019 ²
Electricity in MWh	6,572	10,627	11,031	11,269	11,438
Gas in MWh	15,019	30,085	29,690	30,010	29,808
Fuel oil in MWh	52	48	59	42	30
TOTAL	21,643	40,760	40,780	41,321	41,276

(1) The reporting scope includes the Le Puy tanneries, acquired in November 2015.

(2) The reference period is the 12-month period from November 1st of the previous year to October 31st of the current year.

Note: The farms located in the United States and Australia are excluded from the reporting scope.

Textile division

Energy consumption (gas and electricity) can be attributed mainly to equipment that 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: SIEGL has thus invested €50,000 in changing the lighting in its kitchen, fixing rinsing and inkjet workshops; at Ateliers AS, two printing lines are now fully lit with LED lamps, as are two pedestrian walkways.

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. These indicators are communicated to all employees each month, accompanied by a commentary. The purchase of a new boiler in 2018, fitted with an exchanger and a high-output burner as well as the installation of thermal insulating mattresses for steam pipes reduced gas consumption by 13.7%.

On the Bourgoin-Jallieu site, electricity consumption, which is the main source of energy both for heating and cooling of buildings, continued to drop in spite of the 8% increase in the workforce. This was achieved through a combination of investments in equipment, programming adjustments and awareness-raising initiatives. Electricity production via photovoltaic panels also enables the site to generate energy savings with an annual output of about 15 MWh. Lastly, there are patrols every evening on the site to check that all lights have been switched off and to adjust the air-conditioning equipment if necessary.

At Ateliers AS, next-generation burners and an economiser were installed on the steam production boilers to reduce natural gas consumption. This modification, which was recommended after an energy audit conducted in 2018, should increase output by 3% in the long term.

On the ATBC site, changes have been made to reduce gas and electricity consumption. For example, air conditioning set-points are blocked during the summer to prevent excessive consumption. In the older part of the building, the insulation and sealing of the roof was entirely renovated to substantially reduce energy losses.

TEXTILE (FROM NOVEMBER 1 ST N-1 TO OCTOBER 31 ST N)	2015	2016	2017	2018	2019
Electricity in MWh	13,034	12,856	12,081	12,058	11,754
Gas in MWh	25,407	26,016	25,702	25,389	23,511
TOTAL	38,441	38,872	37,783	37,447	35,279

Leather Goods division

Electricity is the main source of energy for the production units. The main areas of consumption are lighting, air-conditioning, ventilation, office automation and sometimes heating (depending on the site).

Consumption in 2019 was 6% lower than in 2018 and the ratio of electricity consumption to the level of activity improved by 15%. These improvements are primarily due to:

- ♦ the installation of LED lamps, which consume less energy, at most production units;
- ♦ changing air-handling units (AHU) and the improvement of management and time-control systems;

- ♦ the installation of motion sensors with time-delay switches for turning lights on and off;
- ♦ improvements to the insulation of building structures;
- ♦ improvements to the compressor management system.

Gas is only used to heat 12 of the Hermès leather goods workshops.

Consumption in 2019 was 11% lower than in 2018 and the ratio of gas consumption to the level of activity improved by 20%. These improvements are primarily due to insulation works, process optimisation of boilers and technical operations on these boilers.

LEATHER (FROM NOVEMBER 1 ST N-1 TO OCTOBER 31 ST N)	2015	2016	2017	2018	2019
Electricity in MWh	13,581	14,317	15,217	16,056	15,140
Gas in MWh	7,071	7,533	8,975	8,225	7,354
TOTAL	20,652	21,850	24,192	24,281	22,494
Electricity – Consumption as a proportion of activity	77	75	75	75	63
Gas – Consumption as a proportion of activity	55	56	60	52	42

Construction

Our environmental reporting primarily measures the energy consumption of stores and the offices of distribution branches around the world. Since 2015, this reporting has been further strengthened by the gradual deployment of an automated system to consolidate energy consumption data on all new construction sites.

The energy consumption of exclusive concession stores, not operated by the Group, is not included, neither is the consumption of certain branches in shopping centres, because of the difficulty (even impossibility in some cases) to obtain currently information.

Energies consumptions data are only available when it is possible to install individual meters.

Methodological note

New sites are included in the reporting from the date of opening, or when they are consolidated by Group; sites that close or leave the Group during the year covered by the reporting are also taken into account on a *prorata* basis. Primary data are collected from contributors at each distribution subsidiary (through a network of over 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 are then consolidated. For energy consumption, only the electricity consumption indicator is published. The consumption of other forms of energy, which is very marginal, is excluded from this publication.

Electricity consumption data from the distribution grid covers nearly 79% of Hermès branches across the world, as well as the John Lobb, cristallerie 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 34% of total consumption of the building, hosting also offices and workshops. Total consumption at Faubourg-St-Honoré dropped 12% in 2019 with the switch to LED lighting, the optimisation of air-handling units and a reduction in equipment operating hours.

In Europe (excluding France) almost 95% of stores are included in the reporting. 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, 72% of stores are covered, including 79% of stores in the United States.

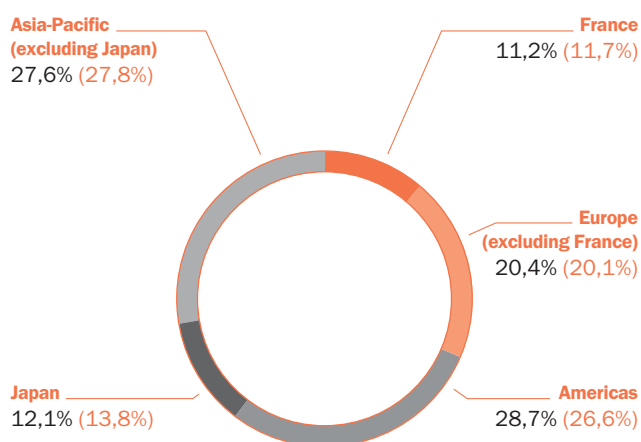
Consumption of stores

Stores consumed 31,952 MWh of electricity in 2019, making an increase of 2% compared to 2018. These figures are correlated to a large extent by a balance between sales surface areas, mainly in Asia and the United States, and store closures and openings.

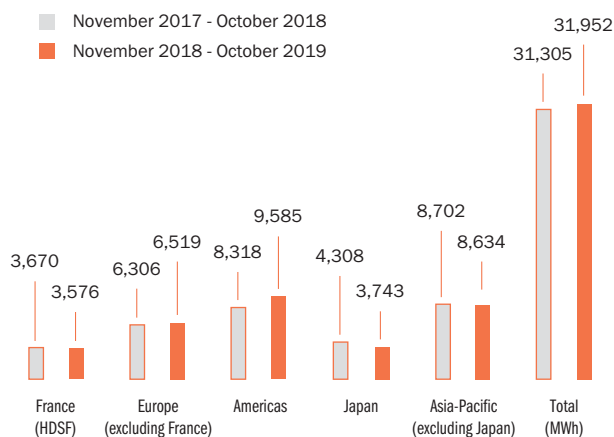
The downward trend in the ratio of energy consumed by unit of sales surface (KWh/m²), especially in France and Asia, is attributable chiefly to the increase in LED lighting, together with improved management of energy consumption, which continued in 2019.

Offices and ancillary premises consumed 13,571 MWh in 2019, 11,679 MWh of which at the Paris and Pantin sites.

ELECTRICITY CONSUMPTION OF STORES BY GEOGRAPHICAL AREA (IN MWH)



BREAKDOWN OF ELECTRICITY CONSUMPTION OF STORES BY GEOGRAPHICAL AREA IN 2018/2019



Optimisation

Improving energy efficiency in our stores means optimising the main areas of energy consumption, which are lighting and air conditioning.

Lighting

Since 2013, an “all-LED” lighting solution for all window displays, shelving and ceiling lights has been extended to all new store projects.

From 2014, the store projects department developed a range of LED bulbs specially developed for Hermès and adapted to all existing installations and equipment.

In 2019, 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 the Hermès Group stores equipped with LED lighting systems to 80% at the end of 2019, with an average reduction in energy consumption of about 20%.

In addition, window and store lighting schedules continue to be deployed 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 projects and store renovations throughout 2019.

Thermal insulation

Special attention is paid to insulating store façades and industrial buildings by improved external insulation.

In 2019, other initiatives (installation of individual electricity consumption meters and motion detector systems in fitting rooms, washrooms and back offices) were continued in all new store projects. These automated energy consumption consolidation systems offer constant visibility which allows rigorous management of energy use. Increasingly efficient new technical solutions are constantly being evaluated for gradual incorporation into existing stores.

In 2019, energy and thermal audits campaign was carried out on all industrial and distribution sites in France. These audits made it possible to assess and schedule the improvements and the renovation of the building structures needed, as well as the renovation of technical equipment in buildings, in order to keep energy consumption as low as possible.

Measures to improve energy efficiency

In the conception phase of new leather goods production units, a special attention is paid to environmental impacts and more particularly, to energy consumption. New production units are built with future energy efficiency in mind. This proactive work focuses on four priority areas:

- ♦ energy consumption: this parameter is one of the main challenges of the technical programmes for new leather goods production units. 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 most suited solution for the construction project is selected. For example, the most recent leather goods production unit, commissioned at the end of 2017 (l'Allan production unit), was constructed to meet the very demanding standards of the HQE label, meaning it exceeds the 2012 Thermal Regulation objectives 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 commissioned (l'Allan production unit) has a park of photovoltaic panels for generating electricity of 152 kWp 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, are more energy-efficient. This approach can be implemented through a partnership with suppliers.

In 2018, the two least-efficient production units, in terms of energy related to heating and air-conditioning, underwent a thermal audit with a thermographic analysis of the building structure, allowing a specific investment programme to be drawn up for the coming years.

In 2019, in-depth energy audits were conducted on all the leather goods production units in the Leather division, providing a clearer picture of the energy profile of each unit and identifying specific or cross-cutting priority areas.

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 has been certified as coming 100% from renewable sources since 2015. In addition, the Group is developing pilot initiatives which aim at being expanded together with new investment projects, available technologies and regulations in force, when they are coming up.

As part of the Fashion Pact, Hermès has committed to implement a policy of 100% renewable energies in its own operations by 2030.

Leather Goods division

The two renewable energies used by the Leather Goods division are:

- ♦ wood, which is used to heat the production units of Belley, Les Abrets and Nontron;
- ♦ solar energy: the L'Allan production unit has photovoltaic panels that provide 14.8% of the electricity used by the site. In 2019, the MHM leather goods production unit in Aix-les-Bains signed a contract with an electrical power supplier to install a 292 kWp photovoltaic power plant on the roof shades of its car park. This renewable energy production generates approximately 25% of the site's energy needs.

For the Leather Goods & Saddlery division, the renewable energy generated by the production units accounted for 4% of consumption in 2019.

As a reminder, all energy consumed by the division is also green.

LEATHER	2015	2016	2017	2018 ¹	2019
Renewable energies in MWh	546	495	444	1,247	895

(1) The reference period is the 12-month period from November 1st 2017 to October 31st 2018.

Tanneries

At Cuneo in Italy, electricity production from 296 photovoltaic panels installed on the roof of the tannery and through gas cogeneration covered 25% of the site's total electricity consumption in 2019.

Farms

In 2019, the Australia division undertook a study on the installation of photovoltaic panels on all its sites (farms and transformation facilities). The five sites of the division are now fitted with photovoltaic panels installed on the buildings that house offices, storage and technical installations. Although they have already produced their first kilowatt-hours, these installations will be fully operational in 2020, with a target of providing an average of 30% of the electricity used by the sites and, if necessary, to reinject what has not been used by the site into the grid.

Construction

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.

2.5.2 CHALLENGE: MANAGING GREENHOUSE GAS EMISSIONS

As mentioned above, Hermès is gradually taking practical measures to reduce its energy consumption and carbon footprint across all scopes. This involves, in particular, controlling our greenhouse gas (GHG) emissions through direct actions to reduce emissions across the entire value chain, as well as through a voluntary offset of emissions.

2.5.2.1 POLICY

The Hermès Group's policy is to assess the impact of its 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 then implement offset initiatives. The Hermès Group's approach follows the COP 21 Paris Agreement.

As part of the Fashion Pact, Hermès has committed, together with many companies in the fashion industry, to adopt climate science-based targets and to implement actions compatible with a 1.5 degree global warming trajectory through a "fair transition", in order to reach zero net emissions in 2050.

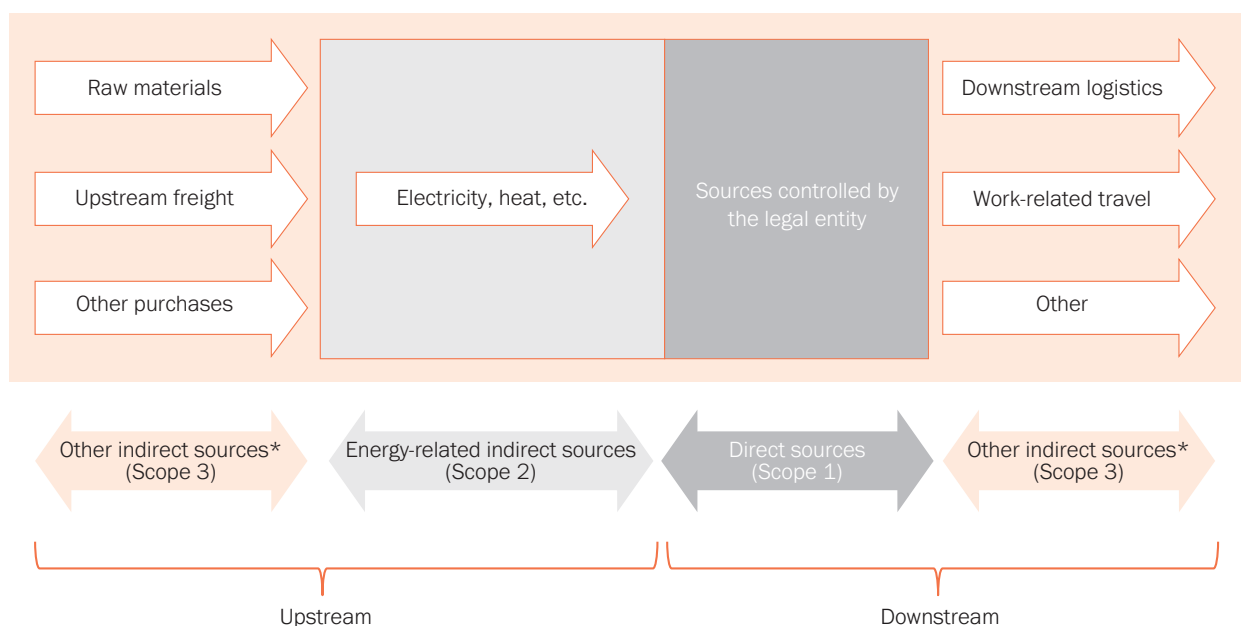
The GHG policy is overseen by the Sustainable Development Committee, on which two members of the Executive Committee sit, as well as the Deputy Managing Director in charge of Industrial Affairs and the Managing Directors directly in charge of the Group's major emitters (*métiers*, logistics and construction). The Hermès Group's carbon strategy was approved by the Executive Committee. Lastly, the climate risk mapping has been drawn up in the framework of the CDP's Climate

Change Project (with a score of B obtained in 2019) and is updated every year in line with the development of knowledge in the field.

2.5.2.2 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 July 12th 2010), Hermès has published its Bilan Carbone® (Carbon Assessment), 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).

Hermès details its scopes 1, 2 and 3 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).



* Sources of emissions unaffected by regulatory requirements
Source: Ministry of the Environment

In 2019, the Hermès Group's Bilan Carbone® (Carbon Assessment) was 543.8 k T CO₂ eq, down 7% from the previous year. The breakdown is as follows:

- ◆ 42.3 k T CO₂ eq for scopes 1 and 2, that are, emissions from production sites, offices, logistics centres and stores. In understanding this figure, it should be recalled that the Company has a business model in which 61% of objects are made in Hermès exclusive and internal workshops;
- ◆ 501.5 k T CO₂ eq for scope 3, which essentially takes into account the carbon footprint of raw materials (73% of scope 3) as well as all purchases, fixed assets, waste, subcontracting, packaging, transport of products and employee's travels. In 2019, scope 3 of the GHG assessment underwent improvement on the scopes and input data. The emission factors were also updated based on internationally recognised baselines.

These figures confirm the merits of a low-environmental-footprint French craftsmanship model: with a carbon intensity of 6.2 (scopes 1 and 2) or 79 (all scopes), Hermès is ranked as one of the least carbon-intensive companies of the CAC 40. The decoupling of the Hermès Group's activity growth from its footprint is being borne out, with a decline in absolute value starting to be seen (see breakdown of actions below).

Hermès' scopes 1, 2 & 3 emissions are as follows:

IN K T CO ₂ EQ	2017	2018	2019	Change
Scopes 1 and 2 (A) (production sites, offices, logistics centres, stores)	42.3	42.2	42.3	0.2%
Scopes 1 and 2 carbon intensity (in k T CO ₂ eq per € million revenue)	7.6	7.1	6.2	-14%
Scope 3 (materials, purchases, fixed assets, waste, subcontracting, packaging, transport, travel)		542.2	501.5	-8%
Total carbon footprint		584.4	543.8	-7%
Scopes 1, 2 and 3 carbon intensity (in k T CO ₂ eq per € million revenue)		98	79	-24%

IN K T CO ₂ EQ	2017	2018	2019	Change
Carbon offset (B)	-21.5	-35.7	-43.8	18%
Scopes 1 and 2 net emissions (after offset) (A-B)	20.8	6.5	-1.5	
Net carbon footprint (all scopes)		548.7	500	-10%

The diversity of the Hermès Group's activities means that the areas responsible for the highest scopes 1 and 2 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 16% of total consumption. Consumption reduction measures are presented above.



- 14 %
carbon intensity
at production
sites, logistics
centres and
stores
(scopes 1 et 2)

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 Hermès Group's activity as described in

As an investor in the Livelihoods carbon fund since 2012, Hermès receives carbon credits every year, and the quantity is increasing as it develops initiatives. In 2019, Hermès was eligible for 43,800 credits (compared to 35,700 in 2018), which offset all of its scopes 1 and 2 emissions, ahead of schedule on its targets. This means that the Hermès Group is neutral on its scopes 1 and 2, and the Group's net carbon footprint is 500 k T CO₂ eq after offsetting.

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 the Hermès Group's specific needs. This approach will be refined as progress is made in this area.

For Hermès, the main 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]);
- ♦ purchasing and sub-contracting (category [1]);
- ♦ transport of goods and products upstream of production units, 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 travels (categories [6] and [7]);
- ♦ upstream energy consumed (categories [3]);
- ♦ fixed assets (category [2]);
- ♦ waste generated in operations (category [5]).

Within scope 3, in addition to materials, transportation represents a major share of emissions, which is the trade-off for French production and global distribution. As described below, these items are analysed in detail and subject to operational actions to lessen their impact.

The scope 3 changes observed stem from the reduction of emissions in some categories, the better measurement of other categories (estimates replaced by more precise calculations) and the update of the emissions factors.

Construction

In 2019, the Hermès Group performed two Bilans Carbone® (Carbon Assessments) one on a production site (Maroquinerie Iséroise des Abrêts) and one on a distribution site (George V store in Paris).

These assessments made it possible, on the one hand, to assess the environmental impact of the constructions, on the other hand, to adjust the standard layout and construction benchmark to guide our ambition to reduce CO₂ emissions on future projects through the Hermès sustainable construction framework.

The sustainable construction framework addresses carbon challenges and targets stemming from the Hermès Group's commitments related to new construction, renovation and dismantling projects.

In order to improve the Bilan Carbone® (Carbon Assessment) of new stores and new buildings, special attention must be paid to the choice of building materials, the reduction of their weight, the efforts to source supplies locally, and the modes of transportation with low carbon emissions.

The Hermès International construction department has committed to reducing the carbon footprint/m² of areas built or fitted by 50% between now and 2030. It should be noted that the scope retained for the calculation of the stores' Bilan Carbone® (Carbon Assessment) is the same as that for energy consumption (it only includes stores for which data is available).

Transportation

The commercial department is working on projects to improve the Hermès Group's logistics footprint. The main projects concern local transport services, giving priority to the use of carbon-neutral modes of transport; longer-distance transport, replacing air transport with sea or rail transport to replace air one when possible.

Local transport, i.e. deliveries from local warehouses to city centres, uses electric or hybrid vehicles whenever possible. The French logistics centre, for example, uses hybrid or electric vehicles for deliveries to the Paris sites.

For longer-distance transport (Asia, United States), sea transport is preferred when the nature, volume and quantity of the items to be shipped make it possible. This concerns in particular publications (for example the biannual magazine *Le Monde d'Hermès*), items related to communication events and store layouts. Tests are also conducted for sea (to Asia and the United States) or rail transport (to China) for other categories of items, in particular the uniforms of sales associates, furniture, leather goods and shoes.

Calls for tenders for goods transport systematically include a criterion related to the improvement of the carbon footprint.

Lastly, the optimisation of volumes transported will drive the improvement in our logistics footprint. In 2019, we modernised our order preparation tools: automated pre-packing, optimisation of order

preparation circuits and automated adaptation of the height of transport crates before closing, all contribute to reduce the volumes transported, for an equivalent number of items.

Tanneries

The Bilan Carbone® (Carbon Assessment) for the Tanning and Precious Leathers division was updated for 2019. The division's scopes 1, 2 and 3 emissions (excluding impacts related to livestock farming) increased between 2018 and 2019 (+5%). This increase is primarily due to the increase in emissions related to exotic skin supplies and waste production (see "Waste" below). These two sources of emissions, together with energy consumption and chemical products, accounts for more than 95% of emissions from production sites, with the energy consumed (gas and electricity) alone one-third of these emissions.

Since 2010, a sea transport system was set up for the skins of *Alligator mississippiensis* from the southern United States, *Crocodylus niloticus* from Africa and, since 2013, *Crocodylus porosus*, from Australia. The proportion of sea transport in the supply of raw crocodilian skins remained stable compared with 2018 and accounted for 20% of supplies. The percentage of raw skins from the United States and Africa was slightly higher with a quarter of the skins transported by sea in 2019.

In 2019, the division also began working to make its carbon impact related to crocodile and calf farming more reliable with the help of specialised consultants. This work will be continued in 2020.

Textile division

The Textile division's Bilan Carbone® (Carbon Assessment) is revised every year to analyse the impact of actions on greenhouse gas reductions. The activities producing the most emissions are purchasing (fabrics, chemical products and packaging), energy needs, inter-site freight, upstream freight and business travels.

The division's efforts to reduce energy consumption, the pooling of transportation and purchasing, the reduction of inventories, along with the implementation of travel rules and remote meetings, have helped reduce our emissions.

To reduce employee's travels and to find "soft" transport solutions, the Bourgoin and Pierre Bénite sites are taking part in the definition and organisation of travel plans. Since September, the ITH site has been part of a regional inter-company Mobility Plan in order to study ways of improving employee travel inside the business park. The HTH and Ateliers AS sites joined forces with the Pierre Bénite production unit, located on the same site, to conduct an overall audit on commuting. They have already carried out several actions following this diagnostic: employees receive financial assistance to buy bicycles and mileage allowances are paid. They are also provided with tools to facilitate remote meetings and with specific parking spaces for carpooling vehicles. Lastly, the transport assessment and the issue of the carbon impact are progressively being included in projects as well as in Product Development and Industrialisation Committees. For example, the Heavy Twill material, which used to be prepared at two production units 30 km apart, is now produced on a single site.

Leather Goods division

In the Leather Goods division, the first discussions on the carbon footprint of activities were launched in 2006 with a Bilan Carbone® (Carbon Assessment) process launched in the Pierre Bénite production unit and extended to all the other leather goods production units in 2008. Since then, the regular measurement of carbon emissions has provided concrete actions to progress plans such as the introduction of electric company cars and the increase in the share of renewable energies.

The energy savings made in 2019 (consumption reduced by 2,236 MWh compared with 2018) brought the annual Carbon impact related to scopes 1 and 2 to more than 250 tonnes of CO₂e down.

In 2019, mobility plans were implemented on the leather goods production units in Belley, Aix-les-Bains and Pierre-Bénite (collaborative approach with Textile division for Pierre-Bénite). Thanks to this exercise, we were able to identify concrete improvement actions that fed into a multi-year action plan specific to each site.

In line with the Hermès Group's carbon footprint reduction targets, the Leather Goods division has defined new objectives for the building of future production sites. Production unit construction programmes now include the positive energy building (BEPOS) target.

Cristallerie

The production unit Bilan Carbone® (Carbon Assessment) was updated for 2019. There are slight changes compared with 2018, in particular a drop in natural gas consumption and raw material purchases as well as a slight increase in downstream logistics. The material fusion process is still responsible for the majority of energy use. All the electricity used by the production unit come from "green" sources. The data collection process used for the Bilan Carbone® (Carbon Assessment) has become more structured and reliable, in particular with the use of more detailed data on freight and travel. This analysis approach will be used in future production unit projects and is used in the Water-Energies-Carbon Plan.

Livelihoods

In addition to its actions to reduce its carbon emissions in relative and then absolute values, the Hermès Group has decided to establish a voluntary carbon offset system in order to reduce its global footprint.

In June 2012, Hermès joined the Livelihoods Fund, a coalition of companies¹ financing carbon offset projects with high social and environmental value. Livelihoods' initiatives are described below as well as in the section covering relations with stakeholders, notably explaining that more than 130 million trees have already been planted, for the benefit of more than 1 million people (section 2.7.2.2).

This system functions according to seven defining principles that contribute to its value:

- ♦ reduction first of all: the carbon credits generated by the Livelihoods projects serve to complement internal reduction efforts, and are one of the parameters for achieving carbon neutrality by 2050;
- ♦ principle of additionality: the projects supported by Livelihoods would not have existed without its investments, and this required an in-depth study in complex social and economic contexts. These are not off-the-shelf or standardised projects, as is sometimes the case for certain renewable energy carbon projects. The aim is to help disadvantaged and sometimes marginalised communities to break out of poverty, as formalised in the Livelihoods charter;
- ♦ carbon credits certified to the highest standards, Gold Standard and Verra (formerly VCS), which validate the carbon effectively removed (and not carbon reduction estimates or future projections). Each project also results in a follow-up and calculations of impacts according to the United Nations' Sustainable Development Goals;
- ♦ an entrepreneurial risk to finance projects in the beginning: Livelihoods does not buy credits "on the market" from projects that have already been started, by accepting to pay a margin to an intermediary. It helps disadvantaged communities by investing for them right from the beginning, by taking a risk of €2 million to €6 million on each project, without an absolute guarantee of any return. The communities concerned do not have the means to carry out their projects without this risk-taking. Project financing occurs during the first years, with the results seen, for example, when the trees grow. This can be sometimes five years after the main investments have been made;
- ♦ a coalition of companies driven by the same spirit: all investors in Livelihoods pool their commitment and therefore receive credits from a portfolio of projects that have been developed and discussed together;
- ♦ a long-term approach: companies and project sponsors, as well as communities, are committed to projects lasting between 10 years (energy projects) and 20 years (farming projects). During this period, the fund will help communities, monitor projects and receive credits after few years. Commitments of this length are rare for company coalitions;
- ♦ local communities that benefit directly from projects: thanks to the NGOs that coordinate local projects, communities benefit directly from the advances provided by the projects: increase in soil fertility, regenerative farming, efficient agro-ecological practices, restoration of ecosystems, generation of farming, forestry and fishing income and the improvement of living conditions. This is actually one of the key success factors of the projects: the communities mobilise themselves because they find that there is a direct advantage to the project.

1. Danone, Crédit Agricole, Caisse des Dépôts et Consignations, Schneider Electric, La Poste, Hermès International, Voyageurs du Monde, SAP, Firmenich and Michelin.

The fund, whose carbon deliveries expand as the trees grow (the projects span a period of 20 years), delivered carbon credits to its shareholders for the sixth time in 2019, after verification from specialised auditors

(using the Gold Standard and Verra standards). In 2019, they served to offset all Hermès' scopes 1 and 2 carbon emissions.

Adaptation to climate change

Just as Hermès is striving to reduce the impact of its activities on the climate, the House is examining potential adaptations to its value chain (internal, external) in order to reduce its exposure to the potential effects of climate change.

Depending on the regions and *métiers* concerned, the effects of climate change will have different impacts on Hermès's activity, through:

- ◆ the physical consequences of climate change (extreme climate events, increase in temperatures, increased or decreased rainfall, etc.);
- ◆ the impacts of measures taken for the transition towards a low-carbon world, in particular the fastest measures (transition risks: carbon tax, regulatory changes, client behaviour, etc.).

The impacts will depend on the extent and severity of these changes, in the same way as the various factors such as location, sensitivity of the upstream supply chain, the quality and capacity of local infrastructures and, more generally, the behaviour of the other players in the Hermès Group's ecosystem.

Hermès has based its approach to adapting to climate change on the identification of risks and the assessment of their relevance in order to define action plans within each *métier*, with the help of a consulting firm, if necessary, and the use of authoritative tools.

The physical risks related to global warming are identified for example by using tools such as WRI Aqueduct, Water Risk Filter, Mycris (Carbone 4) and Sea level rise by Alex Tingle.

The exposure to transition risk is studied both by the audit and risk management department in its vertical analysis of the House's main activities (production *métiers*, retail subsidiaries), by the industrial affairs and sustainable development departments and by the Sustainable Development Committee, with a more cross-cutting vision that covers the main challenges (water, climate, etc.).

The following risks were also examined: interruption of activities and continuity plans, changes in technologies and markets; impact of new regulations (or rapid change in current regulations) and lawsuits for the climate. These risks are reviewed under their various components (operating impact, legal impact, reputational impact, etc.).

The Group is implementing actions to identify physical risks. Hermès operates 55 production sites and 311 stores in 49 countries. Despite the fact that most of our products are manufactured in France, our sites are also exposed to acute and chronic extreme climate events. Therefore, the Group is looking at medium-term solutions, in particular for its real estate policy.

In 2019, it carried out a "Water" risk assessment with the WWF using the Water Risk Filter and Aqueduct tools. Aqueduct was developed by the World Resources Institute (WRI). These analyses concern water stress, the risk of drought, water quality, the risk of floods and the health of the ecosystem, for each of the geographical sites where the House has an industrial activity. The results were discussed with Group Management at the end of the year and the main challenges will gradually be integrated into the action plans of sites in order to adapt the contributions of all participants as best as possible to the "Water" risk in their respective water catchment areas.

Other physical risks are being assessed, in particular to estimate the resilience of each supply chain with respect to the various climate scenarios.

A partnership has been created with WWF to carry out in-depth audits on exotic skins, cashmere and the timber supply chain. Each audit enabled us to better understand the risks and to create a specific action plan. Hermès is ready to help its suppliers if they need to adapt to physical risks (technical, material and financial support, as needed).

2.5.3 CHALLENGE: MANAGING WASTE

A major aspect of environmental protection and societal responsibility, waste management means that each of the various *métiers* does all it can to reduce waste production and to recycle or valorise its waste.

2.5.3.1 POLICY

The wide range of *métiers* prevents from a single overall waste policy, other than the general principle of avoiding the production of waste and working to improve its reuse and recovery. Waste management is therefore managed specifically by each manufacturing division by means of a dual policy of waste reduction and recycling wherever possible. The main contributors are the tanneries, textile, leather, perfumes, crystal and construction.

IN TONNES/2019	OIW ¹	HIW ²
Tanneries	4,275	4,254
Leather	837	63
Perfumes	581	269
Textile	529	798
Logistics	375	0
Porcelain/Enamel	147	31
Watches	156	43
Crystal	150	901

(1) OIW: Ordinary Industrial Waste.

(2) HIW: Hazardous Industrial Waste.

CHANGE IN VOLUME OF WASTE (EXCLUDING FARMS) OVER THE LAST THREE YEARS

WASTE	2017*	2018	2019
OIW (t)	5,467	6,478	7,050
HIW (t)	7,202	6,172	6,359

* excluding logistics site

2.5.3.2 MEASURES IMPLEMENTED AND RESULTS

As part of its waste and end-of-life product management policy for its objects, the Hermès Group is engaged with partners in France and abroad to find them a second life wherever possible. The House's main *métier* (leather, silk) have ongoing programs in this area.

Tanneries

The raw materials used in the tanneries is whole skin, referred to as "raw" skin, which are putrescible organic products. Tanning involves processing the skin into a durable product, finished leather. The reduction of tannery waste naturally starts with the continuous improvement of the quality of the raw skins. Tanning generates unavoidable waste, associated with trimming the edges of the skins ("trimming") or preparing the internal surface of the skin ("fleshing"). Processing skins in successive baths also generates effluents, which are processed at site treatment plants and result in the production 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 centre on leather.

The division's total waste production increased by 15%. This is mainly thanks to the optimisation of sludge extraction at calf leather tannery treatment plants.

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 were 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.

A number of projects to optimise tannery waste management facilities were carried out in 2019 (see "Effective solutions for waste management" below).

Leather Goods division

Total waste generation relative to activity improved by 3% between 2018 and 2019. The amount of hazardous industrial waste increased by 5 tonnes in absolute terms, which is still proportionally lower than the increase in activity.

Recycled and recovered waste represented 88% of total waste by tonnage. Each type of waste is directed to an appropriate treatment or sorting chain.

Leather offcuts from production units, pieces not used within the context of "cutting", are resold to special processors and then turned into new raw materials for products other than leather goods. These by-products of our activity are not counted as waste in this report.

Perfumes division

CNP's waste volume increased by 7% in 2019 as a result of growth in perfume activity and the launch of the new bath product production and packaging activity. The proportion of waste recycling/recovery remained favourable with a recycling rate of 68% and energy recovery of 28%.

During Sustainable Development Week, CNP introduced an office waste collection, sorting, recycling and recovery service (paper and plastic cups, plastic bottles and metal cans) with a local adapted company. The aim is to play an active role in protecting the environment while also creating local and long-term jobs for people finding it difficult to get into work and/or disabled people.

Undistributed inventory is reprocessed in specialised channels that separate and reprocess liquids and packaging, such as the Cèdre platform, which is used by other industry players; soap is reprocessed and donated to charity.

Textile division

Waste management requires a great deal of flexibility and adaptation among the various stakeholders. The complex development of the waste market with saturation of local outlets (landfills and incinerators in the Rhône-Alpes region) requires careful management. Through monthly meetings involving the division's sites and the service provider, the division ensures that waste recovery and recycling solutions are always prioritised and that each new stream is validated.

The situation is also strained in hazardous waste treatment channels, but the métier remains vigilant about ensuring that energy recovery is carried out automatically when the products allow. Therefore, just 0.8% of hazardous waste is processed by elimination. Dye waste, which accounts for more than 50% of waste (all streams included), is 100% used for the manufacture of alternative fuel.

In addition to cross-divisional management, sites are also taking action to reduce and recycle their waste as best possible. Centralised recycling collectors are on trial at ATBC, HTH and ITH, allowing for improved waste sorting and raising awareness about what is thrown away. Plastic cups are gradually being replaced by cups or paper cups.

Cristallerie

Waste reduction, a major economic and ecological challenge for the cristallerie Saint-Louis, is closely tracked operationally. Cullet recycling increased by 65% in 2019 despite the difficulties encountered in the operation of the new gas melting furnace. This recycling rate, which is high compared with the sector average, remains an area to be worked on and stabilised over the coming months.

The proportion of ordinary industrial waste decreased despite renovation works carried out. This large volume remains an area for improvement in 2020, in particular as regards plastic waste. However, 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) decreased relative to 2018 as a result of the higher recycling rate at the main smelter and optimisation of the treatment of all effluents, which is currently done internally. This was made possible in particular thanks to the new neutralisation facility renovated at the end of 2018.

On the occasion of World Cleanup Day, a cleanup campaign in the municipality where the Cristallerie is located was organised jointly between the municipal team and employees of the production unit. This kind of awareness campaign will be repeated in 2020.

Lastly, a partnership with the production unit's workwear supplier to ensure reasonable use of clothing and associated resources was cemented in 2019. New clothing bought in 2015 therefore will only be replaced if needed.

Farms

The quantity of waste generated in 2019 remained stable (OIW: 1,027 tonnes, HIW: 42 tonnes). Ordinary waste, accounting for 96% of annual waste production, consisted of waste from operations (animal by-products, sludge from effluent filtration systems, OIW, wood and cardboard), as well as waste from facility renovation work (inert, plastic or scrap metal waste) and household waste. Salt, used within the context of salting raw skins, is regarded as hazardous waste in view of current regulations in the States in which the hide transformation and inspection facilities are located, and makes up almost all of the division's hazardous waste.

In order to avoid any pollution, this waste is stored in covered storage areas, and retention basins prior to evacuation into local treatment channels in line with regulations.

During the year, the Australia division also looked into the feasibility of composting animal food waste and by-products from processing facilities. The trial, which was successful, will be repeated in 2020.

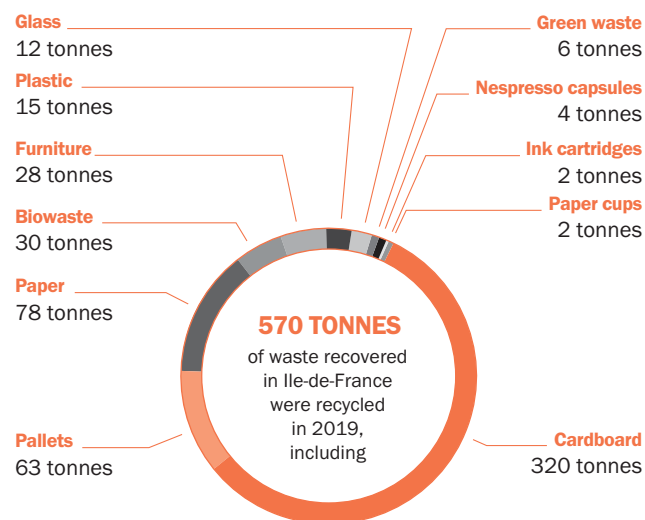
Construction

Since 2019, scrupulous management of demolition waste, deconstruction of a site due to be renovated and construction site waste management have been systematically implemented for all construction projects in France and worldwide. This waste management applies to all of the Hermès Group's construction projects.

Paris sites

In 2019, a new waste sorting and recycling system was rolled out at all Ile-de-France sites. This includes an increase in the number of sorting chains (22 in total) and the introduction of voluntary collection points. This allowed for the recycling of 570 tonnes, 180 tonnes more than in 2018.

In addition, in order to support employees in this process, the following were also deployed during the year: a network of 37 ambassadors, dedicated communications tools giving new recycling instructions, and the installation of 4,000 collectors.



Effective solutions for waste management

Hermès is committed to reduce the use of hazardous substances beyond regulatory requirements. That is why its internal requirements for its own operations and supplier specifications set out limits that in some cases are stricter than applicable regulations.

Leather Goods division

Leather goods production units present limited sources of wastewater discharge thanks to primarily manual production processes that do not require water. The only wastewater discharge concerns water used for sanitary purposes, which does not require on-site treatment and in most cases is directed to public wastewater collection networks.

Tanneries

The quality of effluent discharges is central to sites' environmental concerns. 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. As a reminder, the tanneries are located in France (4), Italy (1) and Louisiana (1).

To date, almost all tannery effluents (92%) 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.

The Tanning and Precious Leathers division's tanneries continually work on improving the performance of effluent treatment. Following pilot trials of evapoconcentration of its effluents, the Montereau site will open an evapoconcentration unit in 2020. A new building housing the current treatment plant and future additional treatment facilities was built in 2019. The Vivoin site carried out a nine-month pilot trial in 2019, which resulted in the adoption of an additional treatment system comprising a biological effluent treatment plant coupled with ultrafiltration and activated carbon filtration. The Le Puy tannery has changed its sludge

treatment process with the construction of a building and a filter press facility. The Annonay tannery has continued with the considerable work initiated in 2018 concerning the treatment plant in order to make its operation more reliable. This resulted in the installation of additional physico-chemical treatment facilities and trials of effluent treatment by ozonation. In addition, studies into the division of chemical compounds present in effluents in various production sectors were carried out at the tanneries in order to better understand the composition of effluents. This work to optimise tannery waste management facilities represented investment of €1.8 million in 2019.

The Tanning and Precious Leathers 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 prefectural 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.

Textile division

Discharge to water 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 implemented.

At the SIEGL site, the pilot study launched in 2017 resulted in the creation of an additional facility for the activated charcoal treatment of effluents following the membrane microfiltration process. This facility has helped to improve depollution results and has been used as a test to model the future purification plant. Construction of the new plant began in October 2019 and it will be functional at the end of 2020.

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 (prototypes, small series samples). In order to refine analysis of the impact of each process on end waste, a sector study for each unit was performed by an environmental consulting firm. Following this study, a wastewater pre-treatment project was launched in order to improve the quality of wastewater before sending it to the treatment plant. This study was also carried out at the AEI site and allowed for identification of the process with the greatest impact, which will be treated by a dedicated stream.

Cristallerie

Industrial wastewater, pre-separated in the respective workshops and collected at a single point, has been purified by a phytotreatment facility since 2015. "Filtering gardens" thus serve to naturally treat the site's wastewater, combining environmental efficiency, landscape quality and a contribution to biodiversity. 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 have significantly reduced and stabilised 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), with discharges well below regulatory thresholds.

Moreover, measurements of air emissions were carried out in the third and fourth quarters of 2019. 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 to check that waste meets the required standards. The reduction in quantities of hazardous waste has been achieved primarily thanks to the optimisation of operating parameters at the water pre-treatment plant for the enamel activity. These new parameters have allowed for a reduction in quantities of treatment product and the volume of sludge generated at the end of treatment, without adversely affecting the quality of wastewater in the sewage system.

The Beyrand site has a water treatment station at the exit of the washer/scouring sluice. It uses a physical-chemical treatment process. Analysis of the compliance of the wastewater discharge into the public network is carried out every year.

Farms

A number of effluent re-use projects have been adopted at the Australia division level over the last two years. Effluents from farms, which are rich in organic material, can be used to water and fertilise crops. For example:

- ◆ since September 2018, irrigation of a 10 hectare sandalwood plantation on the property of one of the Australian farms in collaboration with the Hermès Group's Perfumes division. 20% of the farm's effluents were re-used on the plantation in 2019;
- ◆ since July 2019, irrigation of sugarcane plantation on farms neighbouring a farm in Australia. During the first few months of operation of the facility during the dry season, around 15% of the farm's wastewater was re-used on these plantations. As discussed in section 2.5.1, this structure is part of an industrial ecology blueprint as a portion of the water from this farm comes from the sugarcane production plant supplied by these fields.

For all the relevant sites, the compliance of the water discharge is monitored at a frequency suitable for the parameters under supervision: half-yearly, quarterly, daily or continuous measurements. The bulk of these parameters are measured more frequently than the authorities require. The samples from the monitoring are analysed on-site or in accredited outside laboratories. The results of the internal analyses are compared once or twice a year to those obtained by an independent,

certified laboratory. In the event of a discrepancy between requirements, the conservative measures are adopted immediately and actions are implemented to reinstate the defined parameters. All information is sent promptly to the authorities and the managers of the wastewater treatment plants, for the most part through special IT platforms.

2.5.4 CHALLENGE: RESPECTING AND PRESERVING BIODIVERSITY

Maintaining an environmental setting conducive to the development of activities requires respect for and the protection of biodiversity.

2.5.4.1 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.

2.5.4.2 MEASURES IMPLEMENTED AND RESULTS

The commitments undertaken by Hermès, according to its ability to influence, are presented below:

Commitments in the direct sphere of responsibility of Hermès

Outside of France, the retail subsidiaries contribute with initiatives such as 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), "On a vingt ans pour changer le monde" (We have 20 years to change the world, 2018) and "Les Saisons" (The Seasons, 2019) were shown to employees.

Hermès is developing its actions to foster biodiversity at its French sites by focusing on the following topics:

- ◆ new constructions: Hermès is determined to develop its French industrial sites in rural environments or brownfield sites (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 new projects are based on internal sustainable construction framework, drawing on best international practices, which set out in particular the requirements applied (part of untouched vegetation after construction, proportion of wastewater treated by phytoremediation, part of the building's roof planted with vegetation, number of local actions promoting biodiversity, portion of outdoor areas in shade on the winter solstice);

♦ projects at the eight production units selected, to which these targets apply, were launched in 2017, to track their applicability and validate their relevance. The results show that in 50% of cases, we managed to retain over 70% of landscape areas on construction sites. Furthermore, the aspects of production units in relation to the sun are such that outdoor areas in shade are limited to less than 30% of the total surface area for six production units out of the eight in the pilot project. Vegetation over 60% of building's roof surface areas is more difficult to achieve, given the energy efficiency target, prompting us to favour the installation of photovoltaic panels in order to benefit from renewable energy rather than planting at this stage. The installation of wastewater phytoremediation facilities was not subject to a priority rollout at the production units in the pilot project, as wastewater from these production units is mainly domestic. This type of treatment has therefore been chosen for industrial waste and therefore chiefly sites, such as the waste produced by the Cristallerie Saint Louis. The high priority given by Hermès to matters relating to biodiversity is reflected in the 100% achievement of the target set for actions to support biodiversity at all Leather Goods & Saddlery division production units. Some concrete examples are given below. On the back of these initial results, the House is therefore preparing to update its biodiversity targets supported by a multi-stakeholder approach for 2020. These targets will be announced within the context of the Hermès Group renewing its commitment to the Act4Nature International initiative.

Through their location in rural areas, the sites are involved in various biodiversity initiatives.

Leather Goods division

Available land around Leather Goods buildings is always examined with a view to enhancing the ecological value, together 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. This orchard will allow the perpetuation of these tree varieties, emblematic of the Limagne fault line where the Sayat site is located.

The *Maroquinerie Iséroise* uses sheep to maintain the pastures around the site. This eco-grazing formula is helping to protect an endangered breed and to practice environmentally-friendly maintenance. Leather goods craftspeople help to guard the flock.

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.

Textile division

A processionary caterpillar trap has been set up at the ATBC Challes site (horsehair weaving) to protect the site's 80-year old cedar tree and vegetation.

At the ITH site, two beehives have been in place since April 2019 in parallel with measures like banning phytosanitary products and moderate mowing of green areas. An initial very productive harvest was shared with all staff and the surplus will be sold for the benefit of the Téléthon. The site has also introduced a closed plastic waste skip, thereby avoiding the risk of polluting the neighbouring watercourse, the Pelud.

Porcelain

At CATE, a number of initiatives to protect biodiversity have continued for a number of years, such as flower meadows, a bug hotel and moderate maintenance of green space. These initiatives will continue.

The project to renovate the production unit includes landscaping of the parkland around the buildings to encourage endemic biodiversity.

Perfumes division

Three beehives have been introduced to the Vaudreuil site since 2017. Regular events are held on the theme of beekeeping, including a workshop on by-products (cosmetics, cleaning, food, medicines) and taking part in harvesting.

On the basis of a study about biodiversity at the Vaudreuil site, CNP has introduced nesting boxes built by staff volunteers. These shelters are intended for creepers and hoopoes, birds to be protected in the Normandy region.

CNP recently integrated Sandalwood Album activities in collaboration with HCP and Australian company Santanol. As part of this commitment, as stated above ("Effective solutions for waste management"), CNP uses wastewater from *Porosus* crocodile breeding pools at the Janamba farm in Australia to irrigate a 10 hectare plot planted with Sandalwood Album trees. The plot will produce CNP's annual sandalwood consumption with renewal scheduled.

John Lobb

A garden project on the roof of the production unit was launched following discussions with the department of Environmental Science at the University of Northampton (UoN). This will be implemented with the cooperation of Workbridge, a charity that provides vocational training opportunities for people with mental illness, learning disabilities or brain injuries, with the aim of enhancing biodiversity at the site and attracting and encouraging pollinating insects in particular. Specific workshops on gardening, plants and biodiversity will be offered to craftspeople.

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 order to reduce odours at the Tanneries du Puy site, a new sludge treatment plant was opened in 2019. In addition, various measures have been taken to optimise processes at the site's treatment plant. Further measures and investments are planned for 2020 and future years.

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 most recent measurements did not indicate that any applicable thresholds had been breached.

Textile division

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 the noise footprint.

Cristallerie

An environmental monitoring programme around the production unit was set up jointly with local authorities and put in place in 2018 and continued in 2019. The results obtained during these measurement campaigns reflect those observed at the various water and atmospheric emission points and underscored the compliance of the production unit's activity with respect to its direct environment.

Changing land use

The Hermès Group's industrial activities do not contribute to the change of land use, 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.

Water management (see 2.5.2 "Adaptation to climate change")

In 2019, the Hermès Group initiated a process to better familiarise itself with its water footprint across all its sites and those of its suppliers, amounting to 75 sites. As part of this study, potential impacts on biodiversity will be taken into account and analysed.

Commitment in the extended sphere of influence of Hermès

Together with the partners supplying it with natural materials, the Hermès Group is continuing constructive efforts incorporating biodiversity protection. The Group is collaborating with international NGOs in this area, as appropriate, in order to better assess the various biodiversity components that concern it and to assess the impact on its supply chain (section 2.4.1).

This contribution 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 to protecting the species and its unprecedented development in the areas in question and, as a result, to protecting and maintaining the marshlands where these animals live and reproduce. According to the US Fish & Wildlife Service, this corresponds to 1.2 million hectares of marshlands that are thus better maintained. The goal is to continue to support farmers in their development, thereby ensuring the long-term sustainability of the effects mentioned above.

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 helps to preserve low-chemical hardwood biotopes (silkworms eat only non-polluted mulberry leaves) and generates income for small local farms and, accordingly, thousands of families.

The aim is to continue to provide this support to the industry.

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 is continuing its efforts in this area. It supports a wide-scale project in Africa, for example, in partnership with the WWF France: 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 Fondation d'entreprise Hermès will continue to support this project. In 2019, the Fondation d'entreprise Hermès increased its commitment in this area, supporting the Natural History Museum's "Vigie Nature" programme, which aims to allow schoolchildren to take part in monitoring our biodiversity, as well as supporting the NGO "L'Atelier Paysan", which with its agro-ecological approach lays the foundations for agricultural development that is more respectful of biodiversity.

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, as presented in sections 2.5.2.2 and 2.7.2.2.

Investments are made in three types of projects (ecosystems, agroforestry and energy) in Africa, Asia and Latin America. The fund has 10 partners working on these projects over a 20-year period. Overall, the Livelihoods fund with its compartment LCF1 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) with major effects on local biodiversity. Hermès is continuing its commitment to the Livelihoods fund by contributing to current projects, but also with the creation of a new, even more ambitious fund, LCF2, launched in December 2017, which will also have a considerable effect on biodiversity (probably twice that of the first fund).

Act4Nature

In 2018, Hermès joined French project Act4Nature alongside 64 members of the French economy, thereby confirming its commitment to supporting factoring biodiversity into its overall development strategy, also contributing to the targets set by the international community concerning biodiversity. Act4Nature is an initiative launched by EpE (the French association *Entreprises pour l'Environnement*) and several partners. It aims to mobilise companies to protect, promote and restore biodiversity through shared commitments set by scientific institutions and associations, and through individual commitments specific to each partner:

- ♦ the shared commitment (ten commitments in total) 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;

- ♦ the individual commitment is defined by each company and specific to its activities. This commitment must be adapted regularly, as Act4Nature strives to follow a continuous progress approach.

At the end of 2019, some companies with international operations committed to this approach, including Hermès, decided to join forces for a next stage in 2020, "Act4Nature International", which protects the characteristics of the voluntary commitment of the first initiative but reinforces the terms of commitment and joins the global "Business for Nature" initiative.

Fashion Pact (2019)

Under the Fashion Pact, Hermès joined a coalition, one of whose goals is to support the development of the Science Based Targets for biodiversity and to help protect and restore ecosystems and protect species.

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 CO₂ emissions. In the village of



Kongussi, local NGO Tiipaalga is teaching women how to build these ecological stoves, which use little wood and cause little pollution. In return for such projects, the contributing companies, including Hermès, receive carbon credits with high social value, partly offsetting their own emissions. In the space of six years, the nine Livelihoods projects have benefited a million people in Africa, Asia and Latin America, and 130 million trees have been planted. Through the Livelihoods scheme, Hermès aims to have a positive impact on the quality of life of rural communities and to neutralise its carbon emissions over the long term.

2.5.5 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 Hermès 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 Hermès Group and all of the *métiers* (tanneries, crystal, textile, 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, having gradually uncoupled growth from consumption, and through the implementation of improved technical systems now available.

- ◆ 6.4: "Water scarcity".

The main *métiers* that are concerned (textile, 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. A study was launched with the WWF in 2019 on this matter (Water Risk Filter). Within the Tanneries and the Silk division's sites, where water is a precious resource, the House has implemented water-saving measures resulting in a reduction in consumption.

- ◆ 6.6: "Protecting wetlands".

The Hermès 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 Hermès Group contributes, encourages the preservation of the natural habitat of these animals and consequently the protection of wetlands in Louisiana and Florida.



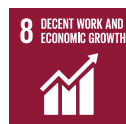
No. 7: Affordable and Clean Energy

- ◆ 7.2: "Increase the share of renewable energy".

In France, 100% of electricity consumed comes from "green" sources. Since 2019, 78% of the Hermès Group's worldwide electricity supply comes from renewable sources. In addition, the Hermès Group has installed renewable energy devices (wood boilers at production sites, photovoltaic panels at sites and for the logistics centre in New Jersey in the United States).

- ◆ 7.3: "Improve energy efficiency".

Our sustainable construction framework incorporates this concept into all new projects. Leather goods workshops like *Maroquinerie de l'Allan* and *Maroquinerie MHM* use renewable energy. 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 LEDs. In the industrial area, the decoupling of energy 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 from energy and water consumption.



No. 12: Responsible consumption and production

The Hermès Group strives to manage waste and chemical products throughout their life cycle. A major player in France in several *métiers* (tanneries, textile, crystal etc.), the Hermès 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). Energy consumption ratios relative to selling space (KWh/m²) are falling, particularly in France and Asia, mainly thanks to the development of LED lighting.



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. In addition, Hermès contributes to the Livelihoods initiative (130 million trees planted), which partly offsets the Hermès 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;



No. 14: Life Below Water

- ◆ 14.2: “Manage marine and coastal ecosystems”.
Crocodile farming requires the implementation of wetland protection measures, to which the Hermès Group and its partners make indirect contributions.



No. 15: Life on land

- ◆ 15.1: “Protecting biodiversity”.
The Hermès 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 Hermès Group complies with regulations governing wood sourcing. Hides, used by the Hermès Group for leather goods production, are from European origin and do not come from farms that contribute to deforestation. The Livelihoods project has also contributed to the replanting of over 130 million trees.

Karumi - ancestral *savoir-faire* applied to bamboo in Japan



2.6 COMMUNITIES: SUPPLIERS & PARTNERS

Introduction

Most of Hermès' production is integrated, in line with its strategy of preserving unique *savoir-faire* and securing supplies. 61% of our objects are made in Hermès exclusive and internal workshops. Our ability to grow is, however, also linked to the retention and development of our suppliers and subcontractors, whose exceptional *savoir-faire* and future success will contribute to that of the Hermès Group and whose social and environmental practices must be irreproachable.

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 Hermès Group's top 50 largest direct suppliers in 2019 was 19 years. They operate mainly in the Leather Goods division and Tanning and Precious Leathers division (tanneries, suppliers of metal parts and manufacturers) but also in other *métiers* such as silk and textiles. This stability is also true for small suppliers, some of which may have been working with the House for more than 50 years.



19 year's
average length of
business relations
with the main
industrial suppliers

For direct purchasing, relations with our suppliers are based on proximity, facilitated by the fact that they are mainly based in France, or at least in Europe, good knowledge based on regular visits, and cultural proximity. To find a particular *savoir-faire*, in the quest for excellence, the Group also works with a few distant suppliers. These suppliers produce small volumes that are subject to special monitoring, in particular through audits conducted by an external third party at least once every three years, action plan monitored 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 (tier 2), with a view to better understand all of our supply chains. The Hermès 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. In particular on subjects relating to human rights, which have their own section in an undertaking handbook that suppliers sign.

2.6.1 CHALLENGE: LONG-TERM PARTNERSHIPS AND WORK WITH SOCIALLY SUPPORTED ORGANISATIONS

Maintaining the existing *savoir-faire* through close long-term partnerships with our suppliers, both local (France and the EU) and further afield. The vast majority of these suppliers have been partners of the Hermès Group for many years. Moreover, aware of its social responsibility, Hermès 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.

2.6.1.1 POLICY

Hermès' policy is to cultivate its *savoir-faire* by supporting its suppliers in the long term. Hermès seeks excellence among various French craftspeople 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.

The Hermès Group has a long-standing disability policy, developing partnerships with socially supported organisations (EA ¹, Esat ²) in France, and strives to strengthen these partnerships whenever possible with a target of increasing them by 20% per year. This is an opportunity for the House to support companies to improve their skills.

The *métiers* are responsible for Group suppliers management and favour a pragmatic, long-term approach. It is supervised by two Executive Vice Presidents for direct and indirect purchases, respectively.

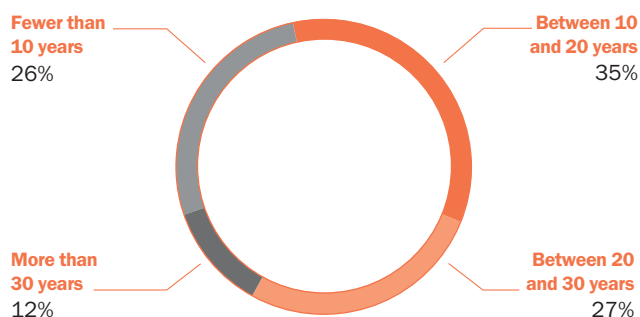
The House's supplier policy, which is explained externally by the two "undertaking handbooks", is put into operational practices by the purchasers (who were specifically trained on the subject in 2018 at an *ad hoc* seminar) and verified by internal and external audits. Internally and externally, compliance with ethics, environmental and social regulations is mandatory.

1. EA: adapted company.
2. Esat: sheltered work establishment.

2.6.1.2 MEASURES IMPLEMENTED AND RESULTS

Our suppliers are partners

For the Group's 50 largest direct suppliers, the average length of trading relationships breaks down as follows:



* Two suppliers' trading relationships are older than 40 years and one of it is 60 years old.

Of these 50 suppliers, 94% of purchases are made in Europe, with 52% in France.

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. To ensure appropriate *savoir-faire* and excellence, the Hermès Group also uses a few suppliers further afield such as Vietnam for lacquer, Nepal for cashmere spinning and Indonesia for woodwork. These suppliers produce small volumes, but are subject to special monitoring, in particular through audits every three years conducted by an external third party, action plan monitoring by senior purchasers, and regular visits by Hermès (at least once a year).

This stability and proximity of relations with partners enable us to establish long-term, close collaboration with them in several areas as part of the continuous improvement of the supply chains.

Leather Goods division

The Leather Goods division carries out most of its production in-house. It nurtures a very close relationship with its partner suppliers of skins, metal parts, etc. Most of these suppliers have been working with Hermès for many years and the 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, the quality or optimisation of raw materials or the management of health, safety and environmental (HSE) issues. Regular audits consolidate these approaches.

Textile division

The *métier* works in collaboration with partners in France who are part of the Lyon textile ecosystem, the birthplace of the "silk" activity. For over 10 years it has also been collaborating with an India-based supplier that uses ancient *savoir-faire* such as embroidery, indigo dyeing, 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.

Construction

In partnership with suppliers, architect-designer consultants and local architects, the specification and local sourcing of building materials and *savoir-faire* is systematically sought and recommended.

To preserve natural resources and reduce the carbon footprint of its buildings, the construction department encourages all stakeholders (subsidiaries, architects, engineers and consultants) to source their construction, interior decor materials and *savoir-faire* locally. This approach is promoted by the Hermès Sustainable Construction Framework. For several years, a thorough analysis has been conducted on 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.

Examples of the use of local materials and *savoir-faire* for store construction in 2019:

- ♦ Thailand: in Phuket the bamboo facade was created by a local craftsman; in Bangkok woven rattan partition walls and local craftsmanship products were used;
- ♦ Japan: in Fukuoka partition and screen walls made from Japanese cypress wood from Hinoki, use of Japanese wall coating techniques; in Chiba Sogo (Tokyo) veneers in local cherry wood and Japanese wall coatings were used;
- ♦ China: in Qingdao and Guanzhou the glazed bricks were made locally.

Societal responsibility and using socially supported organisations

As part of the first Group 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. The final target of this agreement, €1.1 million by the end of 2020, was met in the first year with purchases to the value of €1.5 million made from adapted companies (EAs) and sheltered work establishment (Esats) in 2018. This year again, total Group purchases from socially supported organisations exceeded the objective with €1.7 million spent. Most of these purchases are initiated by Hermès Services Groupe and Hermès Maroquinier Sellier. Regardless of the impact of the Disability reform which will come into effect in 2020 and will restrict the tax impact of purchases from socially supported organisations, the Hermès Group intends to pursue its policy of buying from EAs and Esats by developing new co-contracting collaborations and partnerships. 2020 will also be devoted to preparing a new 2021-2023 Disability Agreement, in a format yet to be decided, a transition agreement which will subsequently require each division to take responsibility for its own inclusion policy.

As part of the “*Hors les Murs*” initiative, sometimes EA/Esat workers carry out work at the various *métier* workshops, and may subsequently be hired by the company.

This ambitious Responsible Purchasing policy is based on allowing EA and Esat workers to exercise a professional activity in a meaningful environment. The current legislation changes of the Disability Reform, which could set a ceiling for the tax reductions generated by purchases from socially supported organisations, will not threaten this policy, which has been reaffirmed to all players and influencers.

Support Métiers and Functions

Hermès Services Groupe

The general services department made a commitment in 2016 to increase purchases from socially supported organisations. Since 2018, the impact of this commitment is measurable with a significant increase in full-time equivalent posts created: 2 UBs (FTE disabled posts entitling the company to tax relief, known as *Unités Bénéficiaires*) in 2017, 10 UBs in 2018, 27 UBs in 2019. The 2020 target is 45 UBs. These results stem from the initial contact made with potential suppliers, when systematically the Hermès disability employment policy is broached. Suppliers are selected and interviewed based on their ability to work with socially supported organisations and the latter features in every stage of the selection process.

Many different *métiers* use socially supported organisations: cleaning, concierge service, mail handling, logistics, printing supplies, catering, management of meeting rooms and green spaces, etc. For example, APF-Association des Paralysés de France runs an entire mail dispatch/receipt service, employing seven people. This leads to regular co-contracting agreements.

More generally, all the existing agreements are reviewed and dedicated clauses for socially supported and sheltered organisations is systematically incorporated.

On a related note, the temporary employment agencies listed by Hermès receive an incentive based on the number of disabled workers they appoint as temporary employees.

Hermès Femme

The partnership with an Esat subcontracted to respond to HR applications continued, as did partnerships with the communications agency (EA Sabooj) and the printer (HandiPrint) for the Hermès Femme Integration Day.

Hermès Distribution

The French subsidiary uses an Esat to handle responses to paper job applications; it also regularly uses their catering and printing services for various in-house events.

Hermès Suisse collaborates with the Foyer Handicap de Genève for envelope stuffing.

Production

Leather Goods division

The Leather Goods division has been in partnerships with EAs and Esats for 10 years and has particularly close links with seven of them. They are called upon to perform different preparatory tasks such as cutting the backing fabric, repairing the cutting dies and making cutting workbenches.

The division aims to build a local network of partner EAs or Esats for each of its regional clusters along with their establishment..

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”.

As part of an ongoing improvement initiative, the working, health and safety conditions of these partners are formally assessed. They are offered 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. For example, manufacturing equipment has been donated to some Esats and also to the “*Les Mains Ouvertes*” in Sayat, an association for the integration of vulnerable people.

Each situation is naturally subject to a unique approach to provide the assistance necessary for successful training. The ultimate integration of disabled workers into the workshops remains a priority and Hermès is working towards this with EAs and Esats.

The first “*Handispensable*” day at the Esat Chantemerle in Aix les Bains attracted almost 50 people from EA/Esat partners and also from various Hermès manufacturers and support functions. This was a day for sharing, getting to know each other better, working on common areas for improvement and reiterating the importance of these partnerships with a view to integrating people with disabilities into the workshops.

Petit h has also forged various long-term partnerships with socially supported organisations, including the Esat Jacques Monod, which assembles and packs small products such as charms (more than 10,000 pieces per annum).

Tanneries

The Tanneries du Puy, Montereau and Vivoin, use their partnerships with sheltered work establishments (Esats) to undertake maintenance of green spaces. The Tannerie d’Annonay also works with an Esat on an occasional basis for commercial brochure packaging and leather sampling assignments. In 2019, the Tanning and Precious Leathers division extended its partnership with the Esat that provides catering services and meal trays for seminars and meetings at its headquarters.

Perfumes division

The Perfumes division has several disability initiatives, including provision of the Handeco platform with awareness-raising and communication initiatives targeting all employees (the platform contains a directory with the contact details of approved EAs and Esats and a targeted search function); systematic consulting with a local Esat (ADAPEI 27) for 100% manual packaging/packaging removal work, and services such as breakfasts and meal trays provided in Pantin. A number of different tasks were entrusted to the Val de Reuil Esat in 2019: Travel kits, Fragrance stone kits, 2 ml kits, Discovery kits and soap packaging removal.

Cristallerie

The maintenance of green space has been entrusted to the association APAEIE Ingwiller for several years. Saint-Louis continues its partnership with the Esat de la Ruche in Goetzenbruck for the storage of packaging materials and also offers secondments to Esat de la Ruche employees to work in the despatch warehouse at the production unit. Thanks to this partnership, a brownfield site was rehabilitated in the commune adjacent to Goetzenbruck.

Cristallerie Saint-Louis exceeded its obligation to employ disabled workers with a rate of more than 9% in 2019.

Textile division

Entities in the Textile division collaborate with socially supported organisations for different types of work, namely for mechanical, carpentry, packaging and cleaning services and the maintenance of green spaces (ATBC), the filing and classification of textile archives and brand inventory (HTH), uniform cleaning and repair (AEI and AS), the recycling of printing frames (Gandit) and catering services and the provision of a food truck (SIEGL, ITH, HTH).

A partnership is in place, dating back to more than 10 years, for maintaining the green spaces around and in the areas outside SIEGL. Another Esat partnership of over 10 years is for the assembly of samples and manufacture of silk pouches at ATBC and AEI.

- ◆ ensure long-term relationships with suppliers by preserving key skills, securing supplies and services, and establishing balanced and sustainable relationships;
- ◆ guarantee ethics throughout the supply chains;
- ◆ contribute to the economic performance of the House by controlling costs, as a whole, and by providing value to customers.

The Group's purchasing policy sets out the principles through four fundamental elements:

- ◆ securing of supplies: Purchasers are responsible for ensuring long-term relationships with suppliers with in particular the preservation of key skills, securing of supplies and services, and the establishment of balanced and sustainable relationships. The House's ethics policy leaves no room for aggressive, unfair purchasing practices;
- ◆ empowerment: 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 Hermès 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 distributed to all employees via the intranet and at training sessions;
- ◆ support for suppliers on environmental issues is a priority at Group level. In partnership with the WWF, a special water analysis was carried out at our main suppliers using the Water Risk Filter. The results will feed into a Group action plan. A WWF review of our main supply chains for exotic skins (crocodile and alligator), cashmere and wood also included environmental dimensions;
- ◆ exercise of a duty of care, in particular in relation to human rights.

2.6.2 CHALLENGE: SUPPORTING SUPPLIERS

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 the supply chains.

2.6.2.1 POLICY

The Group policy on supplier guidance and support is based on the following fundamental axes:

- ◆ seek the best quality and enrich Hermès' creation with concrete propositions resulting from our partners' innovation;

2.6.2.2 MEASURES IMPLEMENTED AND RESULTS

Since 2017, the Hermès Group's purchasing has been coordinated by two divisions: direct purchasing and indirect purchasing. 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. The Hermès Group has its own certifications, knows its suppliers well (see the length of partnerships) and has a relationship of trust with its auditor partners. The Hermès Group does not seek to use external audits first and foremost because it prefers to have direct knowledge of its partners' practices.

Duty of care

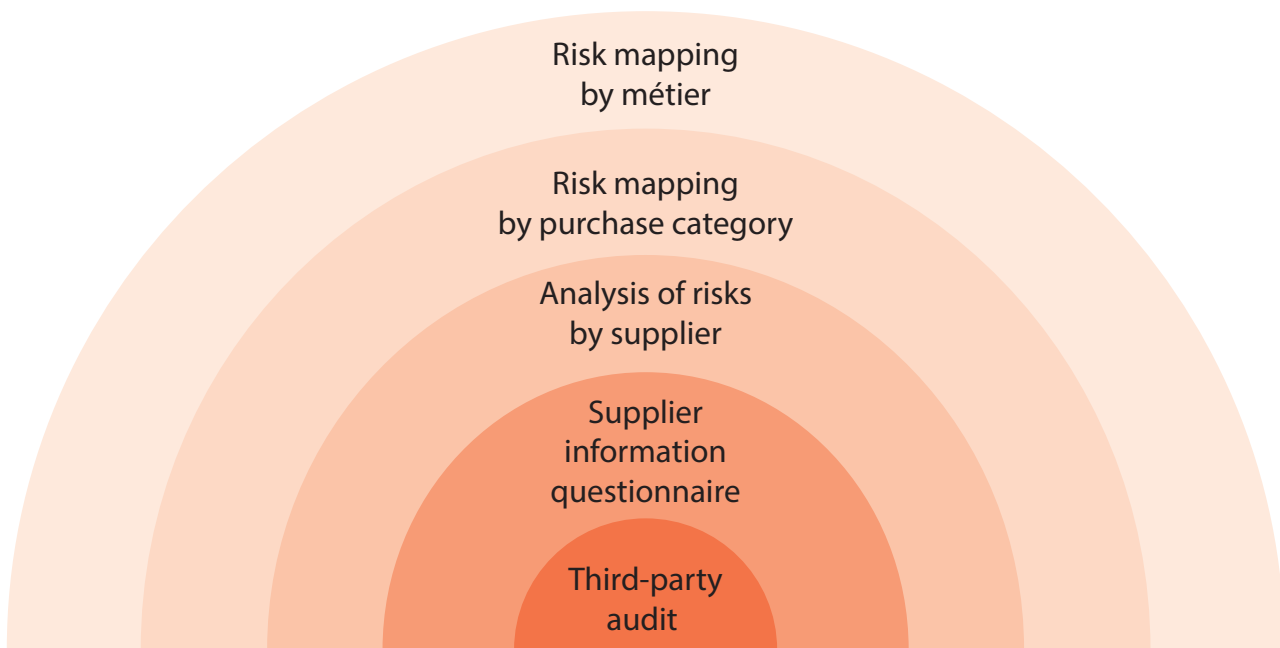
The supplier risk management system, which had already existed in the Hermès Group for many years, was strengthened and accelerated in 2018 as part of the rollout of a reasonable duty of care plan with respect to suppliers and subcontractors as required by French law. The management system applies in a context where most of Hermès' production is in-house and often close to its suppliers, both geographically and in relationship terms. Special attention is given to human rights and fundamental freedoms, the health and safety of people, and more generally their working conditions, as well as the protection of the environment. Ethics, specifically the prevention of corruption and bribery, are also closely monitored.

In accordance with the recommendations of the French law 2017-399 of March 27th 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 suppliers and subcontractors, and more generally by all of the supply chains;
- ♦ procedures to regularly assess the situation of suppliers and subcontractors with which we have a trading relationship, but also to assess the situation of tier 2 suppliers and subcontractors, in order to gain an ever-stronger understanding of the supply chains;
- ♦ appropriate action to mitigate risks identified and prevent serious breaches of human rights, fundamental freedoms and health, safety and environmental regulations;
- ♦ an alert and reporting mechanism;
- ♦ a system for monitoring the measures implemented and assessing their effectiveness.

A methodology for monitoring supplier risks was formalised in 2018 and is applied by the direct purchasing and indirect purchasing divisions at all the House's *métiers*.

The diagram below shows this methodology and the corresponding tools:



The *métier* purchasers must sort their suppliers by purchase category then, for each of these categories, map the global risks and analyse the risks by supplier. For suppliers identified during the analysis as “at-risk” (e.g. corruption, politically exposed persons, negative press, breach of human rights, risk to the health and safety of persons, environmental

risk) and those identified as strategic or sensitive (volume of business, special *savoir-faire*, *intuitu personae*, succession, financial health, etc.), the purchasers must complete a “supplier information questionnaire” to enable them to investigate the risks further. If the risk is confirmed, an external audit is requested.

2.6.2.3 RISK MAPPING

The Hermès Group has produced a risk mapping (see “Risk factors” section in 1.11), into which the mappings produced by each of the main *métiers*, retail 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 in 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 sustainable development, ethics and corruption risks. These risks are prioritised based on their criticality, on the one hand, calculated as the product of the impact on the Hermès Group or its stakeholders by probability of occurrence, and on the level of control, on the other hand.

Since 2018, the emphasis has been on direct purchases (production purchases) for which control of the supply chain is obviously a strategic challenge. The 15 Hermès Group's *métiers* count around 100 direct purchasing categories. The target was to map 50% of these purchasing categories by the end of 2019. The target was exceeded with 66% of the categories risk mapped at the end of 2019. Workshops planned for the first half of 2020 should take the total to 75%.

Among the risks identified, ensuring the durability of artisanal *savoir-faire* and maintaining our capacity in France are major challenges for several divisions, as is improving the traceability of raw materials throughout the supply chain. Issues relating to the environment and the health and safety of people are also identified, but are analysed less critically. Conversely, because the vast majority of suppliers are in France, the risk of violation of human rights and fundamental freedoms is generally assessed as very low.

Procedures to regularly assess the situation of suppliers and subcontractors

For each purchasing category previously covered in a risk mapping, the *métier* purchasers carry out a second-level risk analysis by supplier. 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 environmental risks. Corruption risks are also assessed according to the country in which the supplier is based and its activity.

If a risk is suspected, the purchaser arranges an audit to confirm or rule out this risk, supported by a “supplier information questionnaire” setting out the various topics included in the previously completed supplier risk analysis framework.

This “supplier information questionnaire” is more generally used by the direct purchasers as the basis of visits to a tier 1 or higher supplier with the aim of constantly improving their knowledge of the 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 supplier information questionnaire confirms a significant level of risk, the purchaser alerts the direct purchasing department and their line manager, a member of the *métier*'s Management Committee, and an action plan is drawn up to prevent or mitigate the risks. If the risk is related to the environment, the health and safety of people, social issues or human rights and fundamental freedoms an external body, recognised for its expertise in environment, health and safety of people and social issues, is asked to conduct an audit. The results of these audits and action plans are taken into account for any continuation of relationships.

In pursuit of their responsible purchasing strategy, in late 2018 the two purchasing divisions selected Ecovadis, a company that offers a collaborative platform for the evaluation of the corporate social responsibility (CSR) performance of their suppliers (environment, social & human rights, ethics and responsible purchasing). Each company is assessed on these fundamental issues according to their size, location and sector of activity. The evidence-based appraisals are reported in assessment sheets on the basis of which corrective action plans are put in place.

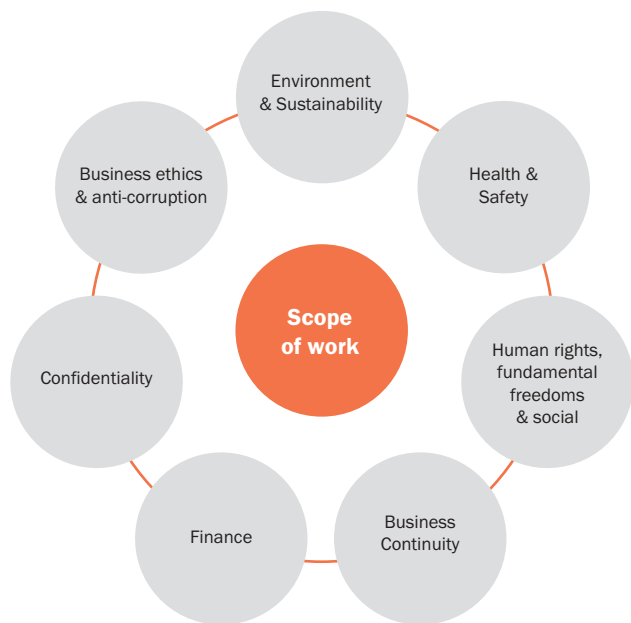
Since the programme was launched, 106 French and international suppliers have accepted Hermès invitation and shared their sheets. The programme will be stepped up in 2020 to increase the number of campaigns and suppliers covered, particularly those in the indirect purchasing chain.

Hermès' objective is to approach its 100 main suppliers of indirect purchases in France in 2020 and ask them to self-assess or share their EcoVadis score. If all suppliers agreed to take this step, it would represent 46% of indirect purchases in France in 2019.

Audits are also requested for strategic or sensitive suppliers (volume of business, specific *savoir-faire*, *intuitu persona*, located in a country far from France, etc.) Specifically, in terms of direct purchases, the Hermès Group's 50 largest suppliers must be audited at least once and all suppliers outside Europe must be audited regularly, approximately every three years.

These audits permit an on-site check of the supplier's social, environmental and ethical commitments, ensuring that relevant regulations are being complied with, and verifying the actual working conditions and well-being of employees.

In keeping with the supplier information questionnaire, these audits cover the following seven issues in particular:



In 2019, a sustainable development category was added to the Environment category, which was more concerned with compliance with regulations, and a special Ethics and anti-corruption category was created. The three priority topics of the seven covered, which meet our obligations under the duty of care law, are:

- ♦ social, human rights and fundamental freedoms (child labour, forced labour, discrimination, gender equality, undeclared work, employment contracts, wages, working hours, overtime, etc.);
- ♦ health and safety of people (fire prevention, workspace risk analysis, chemical risk, individual protection equipment, training, medical checks, etc.);
- ♦ environment (regulatory compliance, emissions/discharge management, wastewater management, waste management, chemical storage, sustainable development policy).

For direct purchases, the number of supplier audits conducted, which had already doubled between 2017 and 2018 and again more than doubled in 2019. The time devoted to these audits by the audit firm and Hermès teams was over 5,000 hours in 2019. Two-thirds of the audits were of tier 1 suppliers and one-third of tier 2 suppliers (in Europe and Asia principally). To lead this supplier audit programme, a supplier audit and CSR project manager joined the direct purchasing department and a second will be hired in 2020.

SUPPLIER AUDIT

	2017	2018	2019
Budget (in thousands of euros)	170	230	500
Hours	1,500	2,300	5,000

These audits are a vital component of the supplier and subcontractor appraisal system as well being key for the quality of relationships. This is why purchasers are involved in the auditing of their suppliers, 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. An employee from the direct purchasing department is also involved in most of the audits. This ensures that the audits really do support the ongoing improvement of our partners. It also helps develop the purchasers' CSR expertise, which they can then apply to the identification of risks when visiting their suppliers.

Risk management and mitigation or prevention of serious violations

The two purchasing divisions, direct and indirect, coordinate the House's network of purchasers and conduct common training initiatives. As such, at the end of 2018, they started developing a training course for purchasers, aimed at strengthening and structuring the training already offered within the Hermès Group. An Environment, health and safety training is currently being rolled out. This course, 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. Around 250 people will be trained by the end of 2020.

In addition a Legal and Compliance course is currently being developed with the legal department.

Finally, a Purchases at Hermès training course is under development and comprises two sections – responsible purchasing and supply chain management – still pursuing the same objective of ensuring CSR becomes part of the day-to-day life of purchasers and helping them to identify and prevent potential breaches of human rights and fundamental freedoms, the health and safety of people and the environment anywhere along their supply chains, tier 1 and tier 2 suppliers, and beyond.

On the other hand, a direct purchasing network is coordinated by the Hermès 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 direct purchasing policy and procedures, regulations, legislation, and the tools used 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 supply chains. Alongside this, and with the same objectives, an indirect purchasing network is coordinated by the Group indirect purchasing department and meets once a year. To supplement this, networks specific to certain supply chains were created in 2019 and meet three times a year. These are the textile purchasing network, the metal part purchasing network, the tower purchasing network and the precious metals network. These purchasing network

meetings provide the opportunity to discuss the risks identified within the chains and steer the action plans to prevent or mitigate these risks. As shown by several operational examples (see section 2.4 “Materials”), these actions are necessarily specific.

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. These handbooks, which define the contractual relationships, are regularly updated, with:

- ♦ handbook 1 defining undertakings with respect to non-disclosure and fair trading;
- ♦ handbook 2 defining undertakings with respect to social, environmental and ethics policies.

These two handbooks were further developed in 2018, and an extensive campaign is under way to present them to the Hermès Group’s strategic and sensitive suppliers and encourage them to sign these new versions.

The supplier undertaking handbook 2, for example, contains the following sections:

- ♦ International standards and agreements

The House reminds all its suppliers that it respects the Universal Declaration of Human Rights, the United Nations Global Compact, the United Nations guiding principles on human rights, and most importantly the International Labour Organization (ILO) declaration on the fundamental principles and right at work, and asks them to do likewise.

- ♦ Good labour practices

This section deals mainly with the following subjects: human rights and fundamental freedoms, child labour, forced labour, compliance with health and safety rules, respect for freedom of association, non-discrimination, working time, compensation, and illegal work.

In its quest to combat child labour Hermès prohibits the employment of anyone under the age of 16. In addition, if a Group employee has not completed their mandatory schooling, the Hermès Group promises to provide the necessary resources so that they may do so.



76 %

of direct purchase suppliers formally committed to social, environmental and ethics policies (handbooks 1 and 2)

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.

To combat harassment and abusive behaviour, the Hermès Group informs its suppliers that it does not tolerate such practices.

In terms of the right to collective bargaining, the Hermès Group demands that its suppliers respect this right with no reprisals against union members and representatives.

In terms of working hours, the suppliers must comply with national and international regulations on working hours, overtime and minimum rest periods.

- ♦ Good environmental practices

This section states Hermès’ 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 their suppliers and subcontractors. Moreover, they are responsible for declaring all their subcontractors to Hermès and may not subcontract any production of Hermès products to a new subcontractor without Hermès’ prior written agreement. This agreement is tied to a pre-accreditation visit based on the supplier information questionnaire.

Purchasers must take care to regularly remind their suppliers and subcontractors of the undertakings they have made by signing handbooks 1 and 2. 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 2019, the target was that at least 65% of suppliers operating in the direct purchasing scope had signed handbooks 1 and 2. This target was exceeded with a 76% handbooks 1 and 2 coverage rate in the direct purchasing scope by the end of 2019.

Finally, audits are a vital component of the supplier risk management system. Thus Audit Committees were set up at the start of 2019 to analyse the various audit reports and identify the priority actions for each of the suppliers audited. The Audit Committee meetings are attended by the purchasing department, the Industrial Affairs Director, the Audit and Risks Director and the purchasers who had taken part in the audits. The Audit Committee met twice a *quarter* in 2019 and will meet twice monthly from 2020 to respond to the increasing number of audits carried out and also dedicate time to following-up past audits. The purchaser of the *métier* in question is responsible for distributing the conclusions of the Audit Committee meetings to each supplier and monitoring action plans. Audit follow-up visits are planned three months, six months and/or one year after the audit, depending on the type and severity of the findings. If necessary, a member of the Group purchasing department can accompany the purchaser on these follow-up visits.

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 Hermès 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, as described in section 2.8.4.1.

Furthermore, in the event of a breach or situation contrary to the ethics, social and environmental principles, the Hermès Group has provided its suppliers and subcontractors with a whistleblowing mechanism in the form of a generic email address. These reports are analysed by the legal compliance department and the purchasing department.

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 the Hermès 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 1.10.7 “Internal control system in response to risks”.

In order to fulfil the requirements of law 2017-399 of March 27th 2017, the Hermès Group established a Compliance and Vigilance 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 the Hermès Group companies. A General Counsel Compliance was appointed during 2017.

Application of the French law known as “Sapin 2” has led us to increase our monitoring of suppliers, particularly the monitoring of their regulatory compliance with respect to corruption prevention (see section 2.8.3.1).

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whistleblowing systems (internal and external) set up in 2019

Human rights in the supply chain

The Hermès craftsmanship model, in which 61% of objects made in Hermès exclusive and internal workshops, 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 52% of them are in France and 42% elsewhere in Europe. Just 7% of purchases are made in more distant countries, mainly raw materials (e.g. exotic leathers), where our control and monitoring is extremely strong:

- ♦ Hermès's internal and external ethics approach is based on the universal framework established by major international principles. The code of ethics, drawn up in 2009, was signed by the Executive Chairman. Communicated to all employees and available on the intranet and to the public at <https://finance.hermes.com>, it states that these principles apply to the Hermès Group companies and our suppliers. In particular, explicit reference is made to the Universal

Declaration of Human Rights, the charter of fundamental freedoms of the European Union, the charter of fundamental freedoms of the International Labour Organization, which covers freedom of association, the fight against forced labour, child labour and the fight against discrimination, and the OECD Guidelines. It is also a member of the United Nations Global Compact (in which Hermès is “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 (internal training, Paris buyer seminar, implementation of supplier practices monitoring software) and by the work of the legal compliance 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.

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 as part of a long-term relationship. 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

Textile division

In 2019 the Textile division tightened control of its supply chain. 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. It has established a risk assessment document targeting sensitive products in terms of production and their shortage risks, together with an action plan suited to each site to minimise the risk (use of an alternative product, change in stock management, discontinuing the product, etc.).

To supplement this risk analysis, HTH continues to implement its strategic supplier audit policy. The aim is to systematically audit material suppliers and finishers.

As such, in addition to the standard audits each year Hermès works with an external firm to conduct three audits of its most important or most at-risk suppliers to obtain exhaustive information on the suppliers’ HSE and CSR situation: safety of people and property, compliance with standards and regulations, water and waste management, etc.

Based on the results of these audits, corrective action plans are put in place and monitored by the purchasers.

In 2019, the Textile division conducted audits on Tissages Perrin (woven silk and cashmere), Bratac (silk producer), Filatura Di Trivero (cashmere yarn) and TSJ (finisher).

Home division

At CATE, undertakings with respect to non-disclosure and fair trading (handbook 1) and social, environmental and ethics policies (handbook 2) were signed by suppliers accounting for 96% of total volumes purchased in 2019. For our French suppliers, the division also implements the obligations pursuant to the 2014 law on undeclared work aimed at combating unfair business competition. In addition, it conducts extensive inspections to ensure that supplier and/or customs declarations indicating that the components purchased have been “Made in France” are accurate. Finally, in 2019, industrial audits (HSE, quality, capacity, etc.) were conducted at the premises of our strategic metal part suppliers for the enamel activity.

At Beyrand, in January 2019, the purchasing and supply department set up the supply chain coordination function. The purchasing and supply department implements sustainability and security action plans with the various suppliers. An HSE audit of a strategic paper supplier was conducted in 2019 as part of this common action plan. Furthermore, the system of having strategic and/or sensitive suppliers sign handbooks 1 and 2 has continued, with new suppliers a priority. They have been signed by 60% of suppliers.

At Puiforcat, an HSE audit was carried out in 2019 to support the selected supplier on these issues: inventory and action plans monitored on a six-monthly schedule. Of the 45 direct purchasing suppliers, the handbooks 1 and 2 coverage rate is 80%. Alongside this, Puiforcat increased its partner support and presence in 2019. For example, for strategic suppliers such as Odiot and Greggio, Puiforcat staff visited their sites twice a month.

Cristal

The Saint-Louis purchasing department ran a supplier risk analysis and audit initiative in 2019, with supplier audits and HSE training organised with the support of an external adviser. Suppliers of lighting components and raw materials were audited in 2019. The resulting action plans are closely monitored.

Farms

The vast majority of the animals bred on the farms come from eggs collected in the natural environment according to the quotas set each year by the local authorities. Several players enable the smooth operation of the breeding industry in Australia and the United States, primarily the local governments and their nature protection departments, landowners, hunters and the egg collectors and incubators from whom the breeding farms purchase the eggs or newborns.

Any breeding sites which could supply the divisions' farms in the United States and Australia with eggs, newborn animals and sometimes one-year-old animals, undergo regular controls. Until now these have been in-house controls which have also covered the requirements of the Hermès Group's in-house charter. The new audit programme, always run in collaboration with Bureau Veritas and based on more stringent procedures, was rolled out at the division farms in 2019. The resulting progress plans will be monitored annually by Bureau Veritas consultants.

Construction

Since 2017, the construction purchasing policy has been gradually rolled out at subsidiaries. For any new construction, the supplier's undertaking to adhere to local rules and acceptance of the charters on fair trading and good labour and environmental practices are a prerequisite to engagement 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. Hermès would like its partners to also work towards this ambition. In line with the Hermès Group's responsible purchasing strategy, it asks its suppliers to establish their CSR profile with Ecovadis. In 2019, 35 companies in the construction sector agreed to do this and 28 are currently being assessed. Based on the importance of the risks identified, specialised third-party firms are requested to conduct an on-site audit. They are responsible for determining action plans that will be shared with the suppliers for actions to be monitored internally by the Hermès Group.

Any new company that wishes to work with Hermès on a recurrent basis undergoes an Ecovadis audit as part of its qualifying process. They can also receive dedicated support by means of an in-depth site audit supervised by the construction teams.

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 30 craftspeople 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 its main clients.

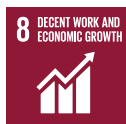
2.6.3 CONTRIBUTION TO THE UN'S SUSTAINABLE DEVELOPMENT GOALS (SDGs)

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. 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 2.2.2), the Hermès Group 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 Hermès 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"*
The Hermès Group 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 Hermès Group has specific demanding requirements in relation to ethics and social and environmental responsibility. They apply in the context of relations that bind the Hermès 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"*
The Hermès Group's 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.

Mangrove plantation with the Yagasu association in Indonesia, supported by the Livelihoods Fund

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2.7 COMMUNITIES: STAKEHOLDERS AND LOCAL INTEGRATION

Introduction

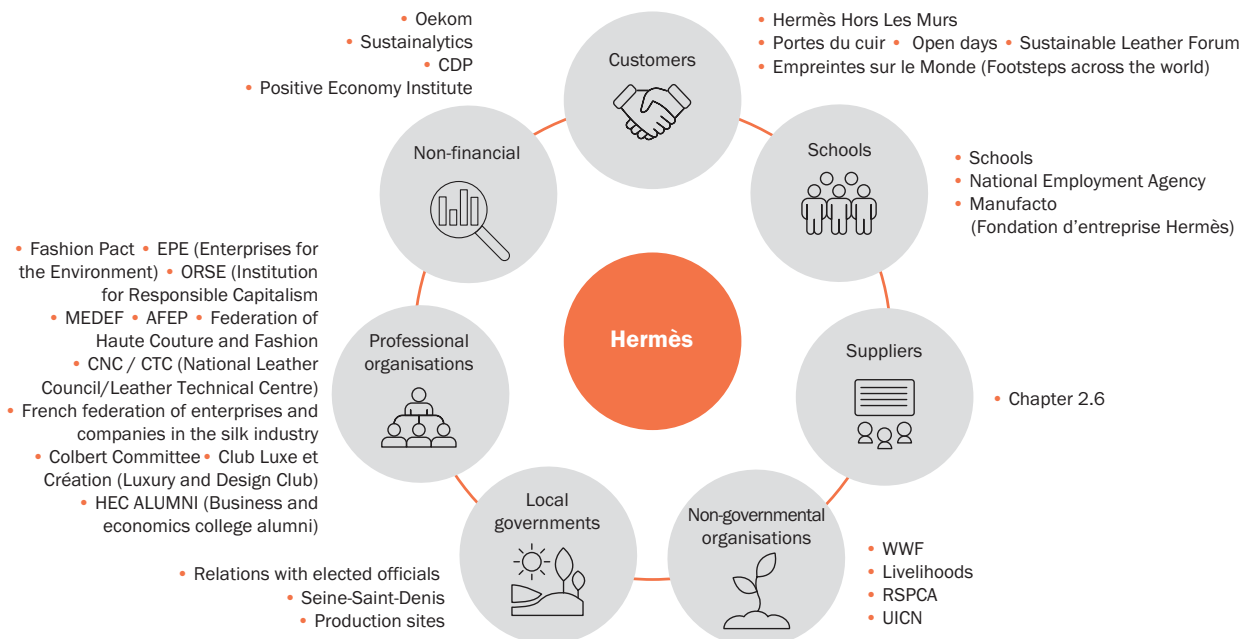
Aware of its responsibility in terms of contribution to regional development, Hermès develops its production activities in France. With more than 400 human-scale sites (production units, stores, logistics sites, offices) worldwide, Hermès contributes to regional sustainable development by providing employment (3,699 jobs created over the past five years) and promotes the creation of sustainable value (local recruitment, training of employees, etc.).

Wherever it operates, the Hermès Group acts as a responsible company with a long-term outlook through local economic, social, cultural or other initiatives. Such initiatives enable Hermès 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.

Moreover, the House's subsidiaries and sites organise local charitable operations. The sustainable development training and awareness-raising initiatives conducted by the Hermès 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, giving back to the world part of what it has received... Throughout the world, numerous local interest projects are alive and active thanks to Hermès.

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 Hermès Group's interactions with its stakeholders illustrated in this chapter break down as follows ¹:



1. List not exhaustive

Hermès, as a responsible company, has been recognized several times by independent agencies, such as specialised ESG rating and ranking agencies, through their 2019 ratings of the House. For its first active participation in several assessments and rankings, Hermès was placed among the most virtuous companies in the subject areas from the outset. These assessments were carefully chosen by Hermès for their credibility, rigour and representativeness of the priority challenges of the sector, including, but not limited to, the following analysts:

SUBJECT	Assessor	2018 score	2019 score
Climate change	CDP	F	B
Water	CDP	F	B
Forest	CDP	F	B
ESG risks	ISS Oekom	D	C
ESG risks	Sustainalytics	52	72
Positive value creation	Positivity index	40.90%	75.60%

CDP is an international organisation that has been recording the environmental performances, particularly climate actions, of more than 8,400 companies since 2002. The average scores of the "apparel design" segment in Europe are C for Climate & Forest, and B- for Water.

ISS Oekom is a specialised ESG (environment, social and governance) rating agency. The scores it attributes range from D- to A+. To be rated "prime", companies must achieve a level of C+.

Sustainalytics is a rating agency that assesses listed companies based on their ESG performance. Hermès is rated as an "outperformer" and is number 4 in its peer group on a worldwide basis.

The positivity index is a French analysis administered by the Positive Economy Institute to companies on the CAC 40. The average score of the sample group is 51% (C+). With a score of 75.6% (B+), Hermès is among the best-performing French companies according to the criteria examined: working conditions, value-sharing, environmental footprint, education and research, and long-term strategic vision.

2.7.1 CHALLENGE: REGIONAL RESPONSIBILITY IN FRANCE

Hermès' regional responsibility in France makes use of the resources from the regions in which it is 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 & Saddlery division's activity, where the industrial development approach is the one of spin-offs: organic development that creates human-scale production sites (approximately 250 people), which starts with a core group of experienced craftspeople, who train newcomers.

Hermès ambition 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 9,522 Group employees work. The craftsmanship model that it employs in France brings with it a regional corporate responsibility. The establishes itself for the long-term.

Since the launch of the first site in 1837, the locations for production units have been chosen to support hubs of regional expertise. The Silk division has five sites in the Lyon region (761 jobs), concentrating the House's *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 Passerelle extension project, launched in 2019, is the concrete demonstration of the House's desire to contribute to the sustainability of local *savoir-faire*. This large project at Pierre-Bénite (near Lyon) aims to support two new printing lines and eventually create 120 additional jobs. The project is expected to be finalised for 2021.

The CATE porcelain production site is based in the Limousin region (217 jobs), the cradle of porcelain production, with Beyrand, a colour printer since 1926, which joined the Hermès Group in 2013. The renovation and extension work in progress will be delivered for the second half of 2020. In the Périgord region, the Nontron site is a good example of the Group's desire to develop its local footprint. Hermès, thanks to its decision to set up a porcelain production site, was able to hire 200 people impacted by the closing of a manufacturing site. Today, with three companies, Hermès employs 471 people at Nontron. Finally, Maison Saint-Louis, founded in 1586, is located in the heart of the Lorraine forest, the source of all the raw materials necessary for crystal manufacture. It has carefully preserved over 10,000 moulds that can be reused at any time to manufacture the production unit's crystal objects.

The leather goods sites continue to expand according to customer demand. Out of the 17 Leather manufacturing sites, all in France, eight have opened since 2015: Maroquinerie Iséroise, Tardoire, Héricourt, Normandie, Saint-Junien, Allan). Maroquinerie de Fitiieu opened in

2019. Several new sites are projected to open: the Maroquinerie de Guyenne in Saint-Vincent de Paul and the Maroquinerie de Montereau, which are expected to be completed by the end of 2020. In line with the creation of divisions, the openings of a second leather goods unit in Normandy as well as one in the Ardennes are planned, respectively, for 2021 and 2022.

The choice of new sites responds to a desire for local integration on three levels: respect for local expertise, sustainability of *savoir-faire*, and desire to create local jobs bringing life to the regions.

These sites are built according to several different types of opportunity: the labour pool, the takeover of existing sites and a change of activity, or the establishment of new sites. The sites are voluntarily set up near schools offering leatherwork training programmes. The geographical locations of the sites are distributed throughout France, organised by regional divisions, in particular for leather (see Map of sites in section 1.7.2).

On an environmental level, the Hermès Group's commitments are integrated upstream to obtain buildings that meet its objectives in terms of standards and impact. 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. The choice of construction projects for the two future leather goods production units (at Louviers and in the Ardennes department) reflect this ambition, for example.

The work on the two permanent leather goods sites (Montereau and Guyenne) is in progress, designed to comply with HQE+ (high environmental quality) standards. The work is carried out closely with all stakeholders. Local companies are given priority in competitive bidding when they meet the specifications.

The two sites will include the creation of company restaurants and are examining opportunities for sourcing supplies locally, with nearby vegetable production.

In addition, the creation of sites organised by division (maximum three sites) promotes project synergies, recruitment of experts, skills improvement, and also presents opportunities for internal mobility ensuring the sustainability of the model.

Close relations with local authorities to contribute to life in the region

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.

Special attention will be paid to the potential of the local employment pool, transport infrastructures, possibilities for local housing, and schooling for families. The quality of the partnership with town halls plays a determining role, as for example at Saint-Vincent de Paul (Gironde department), where Hermès is providing assistance to the municipal village transition project, driven by the goal of a true local life for the families that are settling in the community.

The development of craft métiers and job creation

The sites all maintain close relations with local Job Centres and schools. The goal is to help train the new generations of craftspeople, 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 (*Pôle Emploi*);
- ♦ high school student visits to the workshops to discover the artisanal *métiers* (such as leather);
- ♦ talks in secondary schools to present the *métiers* prior to the pupils' choice of a career path;
- ♦ the creation of appropriate local training programmes. Hermès is working on the creation of a professional baccalaureate in leather goods with the vocational school in Montereau.

This year, Hermès created 676 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, construction 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 programmes, from which only a small number will join the Hermès Group.

The following examples illustrate the operations conducted in 2019:

Leather Goods division

In every project, a temporary workshop is set up for a period of 18 to 24 months prior to the opening of the site, in existing buildings that have been renovated in accordance with the Hermès Group's standards. Recruitment is carried out locally. These temporary workshops are attached to a reference site, and in-house trainers ensure the transmission of *savoir-faire*. The first cohort of some 30 craftspeople is recruited on the basis of manual skills using a simulation-based method, devised in collaboration with the Job Centre (*Pôle Emploi*) and emphasising manual aptitude, without CVs. Every six months, a new group is brought on board and trained by in-house trainers. The craftspeople are then provided with continuous training from tutors. Upon opening, about 100 people are already operational and ready to launch the leather goods activity. Ultimately, the workforce will reach an average of around 250 (a maximum of 300 per site) craftspeople three years after the opening date. This number of employees will allow the craftsmanship dimension to be preserved, and quality relations between employees and management.

The development of temporary workshops open in 2018 at Saint-Vincent de Paul, in Gironde, and Montereau, in Seine-et-Marne continued using this method and two groups of approximately 30 people were recruited locally at each of the sites, creating more than 120 jobs at these leather goods sites alone.

This policy of building up regional bases resulted in the creation of a new division in 2019: the Normandy division. A temporary site was opened in September 2019 in Louviers to allow the arrival of new cohorts of workers, near the Maroquinerie du Val de Reuil, inaugurated in 2015. A first group of some 30 people was recruited and started work in September. The Louviers project is carried out in very close cooperation with the town hall, the broader urban community and local stakeholders. The environmental goal of building projects corresponds to the highest level of energy performance and sustainable development goals ever set for a leather goods project.

Finally, in 2019 a decision was made to open a 21st leather goods site in the Ardennes, in order to create an Ardennes division starting in 2020. This project also entails a commitment to ultimately create 300 local jobs, at Tournes, a village near Charleville-Mézières, focusing on helping to energize the region. This new site, which is environmentally friendly and respects the quality of life of the people living nearby, will benefit commercial, recreational, charitable and educational activities through job creation.

In addition, the leather goods sites are carrying out initiatives to help the local communities:

- ♦ the Belley leather goods unit takes part in the monthly local "Commissions Emploi Formation" (job training commissions) with the stakeholders in the Bugey Development;
- ♦ the teams at the Savoie-Dauphiné division volunteer in high schools to present their *métier* and the leather goods industry to students;
- ♦ several divisions (Savoie-Dauphiné, Sud-Ouest, Franche Comté, etc.) host classes of students at their sites to introduce them to the world of craftsmanship;
- ♦ as part of the Fondation d'entreprise Hermès' Manufacto project (section 1.9) in the Paris region, Lyon and in Franche Comté, several craftspeople took part in initiatives in partner elementary, middle and high schools in 2019;
- ♦ at Pantin, a partnership was developed with the Plaine municipality to host young people from underprivileged neighbourhoods for training, through the Apels, the Association for Education through Sports. Seven young people started in the fall of 2019;
- ♦ many sites give training, maintenance work, etc. to EAs/Esats or other local providers (see section 2.6.1.2).

Textile division

As part of the *Passerelles* project, the Silk division signed an Agreement with the City of Lyon, via the Maison Métropolitaine de l'Insertion par l'Emploi (the city's integration through employment agency), undertaking to ensure that subcontracting companies involved in the *Passerelles* work sites provide a certain number of hours of integration work for people from priority sectors of society:

- ♦ organising and tracking by the City's specialised consultants;
- ♦ directly managing and assisting companies for the implementation of their commitments (recruiting assistance, making contact with specialised agencies, etc.).

The division also took part in the Lyon Jobs Forum, with 80 candidates received, as well as in the "1,000 Companies for Jobs Forum" at the Lyon Jobs and Professional Training Institute.

HTH maintains close relations with the silk apprentice training centre (CFA Textile) and FrenchTex, France's leading regional professional textile organisation. As such, it also sits on the Board of Directors of Cepitra, the Chamber of Apprentices in the Textile *Métiers* and AR2I (OPCO).

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, partnered with ALLIES and the MDEF, 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.

The partnership with Open Emploi (a socially-oriented temporary employment agency that promotes the employment of people from diverse backgrounds) continued, leading to three recruitments (temporary assignments and fixed-term contracts) for people with disabilities for a position of textile visitor.

Tanneries

The setting up and operation of tanneries provide opportunities to develop discussions with stakeholders, in particular on environmental subjects. Accordingly, Tanneries du Puy organised meetings on the water challenges with local residents, town halls of local municipalities, as well as the broader urban community of Le Puy. They also hosted a visit by employees of the water agency, advisors at the Le Puy Job Centre (Pôle Emploi) as well as local students.

The Tannerie de Montereau proposed a meeting with elected officials of the regional government authority on the theme of regional water challenges. It presented its project combining the tannery and leather goods workshop to the Montereau area local association of municipalities (CCPM) and local companies. It is also involved in a working group initiated by the CCPM to re-energize the business park and develop common projects (waste management, energy use, etc.).

The Tannerie de Cuneo, in Italy, set up a partnership with the Consorzio Socio Assistenziale (public agency for assistance to people with disabilities) to fit out a vehicle to transport persons with reduced mobility, used by the Cuneo community network. In return, the Consorzio conducts disability awareness-raising initiatives in the Tannery (services available for people with disabilities, possibilities of insertion, recruitment assistance).

Other métiers

Since 2017, Hermès Femme has developed a partnership with the Jean-Luc François association, in which the *Programme Couture et Métiers* develops the skills of people having great difficulty finding work. In 2019, in this framework, a migrant following a professional integration scheme was given an internship in the Women's Ready-to-Wear workshop. In all, three people were welcomed for 15-day internships since the start of the partnership, and always successfully.

The Perfumes division works closely with Cap Emploi 27 ("30 days to find my job" scheme) or the city of Val de Reuil (participation in the Jobs Forum on work/study contracts in March 2019). It also took part in the Handisup Forum that included about 100 students with disabilities seeking internships, work/study contracts or summer jobs.

Hermès Commercial in Bobigny has supported 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.

Relations with elected officials

In 2019, Hermès brought together 17 elected officials from municipalities in which the production sites are located, with their respective Directors as well as two members of the Executive Committees and the managing directors of their leather goods, tanneries and sustainable development activities, for one day. The objective was to strengthen dialogue and pursue actions with elected officials in the local authorities of the areas where the House is established. After a presentation by Hermès, working groups discussed sharing of best practices and additional expectations that could be developed together.

Following this day, a number of concrete actions were taken or extended on the themes of assistance in local recruitment, neighbourhood planning, assistance to employees new to the municipalities, actions for environmental protection or increasing the effectiveness of local professional training programmes.

Seine-Saint-Denis

Hermès joined the association Réseau Entreprendre 93 at its creation in 2003. It participates, along with the other members, in the selection, financial support and coaching for start-up projects whose common point is their strong job creation potential. In 16 years, 1,700 jobs were created by 175 new companies under the system. About ten employees of the House are now involved in an advisory role with start-ups fostered by Réseau Entreprendre 93. Between Pantin and Bobigny, the sites located in Seine-Saint-Denis represent a total surface area of 100,000 m² and house 2,000 employees, 400 of whom live in the department. This proportion is expected to increase thanks to link-ups with candidates by the employment agency in Pantin. While Hermès is one of the largest employers in Seine-Saint-Denis, it is also involved in promoting talent from this region.

At Pantin, the House also provided its assistance to the local authority to create the Revel house, a centre for promoting the *métiers* of art and design, and a "*métiers* workshop" at the employment centre. In 2017, Axel Dumas, Executive Chairman of Hermès, strengthened this partnership by signing an "Enterprise-region" charter with Est Ensemble. This association of nine municipalities includes Pantin and Bobigny, where Hermès is also located. Hermès is involved in talent promotion, through various initiatives in Seine-Saint-Denis, beyond its contribution as one of the largest employers in the department. One of the objectives is to strengthen the Company's participation in local economic development and employment, with the result of good conditions and services that support its employees' integration.



Over 280
solidarity
actions
around the world

2.7.2 CHALLENGE: A SOCIALLY RESPONSIBLE COMPANY

Hermès seeks to fit harmoniously into the local economic fabric. The House wants to be a responsible company actively involved in the life of local communities with which it builds and develops strong ties. Its model for the development of craftsmanship in France means Company-based regional responsibility, and extends even further than this, since employees contribute to the development of their communities through simple actions. Giving time, giving of one's self, opening oneself up to others, receiving, and so on... Throughout the world, there are many possibilities at Hermès.

2.7.2.1 POLICY

The Hermès Group's policy is to ensure that each of the House's production and distribution units maintains a dialogue with local authorities and stakeholders, with the goal of healthy integration in the local community, as a good, trustworthy, civic-minded neighbour, poignant examples of which are set out below.

2.7.2.2 MEASURES IMPLEMENTED AND RESULTS

Corporate responsibility

Hermès participates in value creation in France through the direct employment of 9,522 people, and recruited 676 people in 2019 (527 last year) (see chapter 2.7.1). A total of 87% of the Group's sales are made outside France, thus making a positive contribution to the French trade balance.

The Hermès Group's income tax expense amounted to €751 million i.e. a tax rate of 33.1% (compared to France's current tax rate of 34.43% – see note 10 to chapter 5).

Concerning taxes, the Hermès Group follows the recommendations of the CSR GRI 207 reporting standard:

1. 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;

2. the location of the Hermès Group's activities is based exclusively on operational choices and tax considerations do not modify that approach. That is how the location of production in France, which is an element of the Hermès Group's strategy for sustainable development, impacts the amounts of taxes paid in the country and the Group's effective tax rate. The Hermès Group's income tax expense amounted to €751 million (see section 4.1), i.e. an effective tax rate of 33.1% (compared to France's current tax rate of 34.4%);

3. the Hermès Group's tax positions are tracked and audited by the tax department, which reports directly to a member of the Executive Committee, one of whose objectives is to anticipate, identify, and manage, with the finance department, the tax challenges. It contributes to the identification of any non-compliant or unethical practices, in addition to the H-Alert internal system open to all employees;

4. every 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. The CBCR is created in accordance with the recommendations of the OECD (as interpreted in French tax law). It is subject to an exchange of information between the tax administrations of the countries in which the Group is established. In the countries in which the exchange of information is not operational, the Group has a CBCR program with the local tax administration.

Moreover, Hermès places people at the heart of its activity and its day-to-day operations. In addition to actions linked to its own activities, it is also a responsible company in the places in which it conducts its business, building harmonious and constructive relations with stakeholders. The production sites interact with the municipalities, the local association of municipalities, and local agencies such as Action Logement. Hermès cooperates with partner associations for employment, as well as with junior and high schools (Mission Locale, secondary schools and colleges, Action Logement, etc.), which provides the House with fresh young talent, thereby contributing to its expansion. Hermès also devotes efforts to creating links and supporting the disabled sector: whether for occasional services relating to the daily activity of the sites (maintenance, meal services, etc.) or for long-term partnerships as is the case of with the Micocouliers Esat, the House is building bridges that extend beyond diversity. As a committed and responsible company, a company that is always learning, Hermès shows its desire to give back to the world what the world has given it, through many local initiatives, in connection with their specific contexts on a national and international level.

Tangible and generous commitments: financial donations, contributions in-kind and volunteering actions

Hermès is committed to increasing its meaningful and generous actions in the regions in which it is located, regularly involving the subsidiaries and production units. These initiatives are sometimes driven by the Group, sometimes locally, and managed in a decentralised fashion. Employees' ideas and initiatives on various subjects are frequently positively received. Since 2017, the Group has strengthened its commitments toward local charitable initiatives through a memorandum circulated to the retail subsidiaries abroad, indicating the operating and financial methods that they should follow. These actions strengthen the values of Hermès and the employees' pride in belonging. They are the opportunity for shared moments and the creation of links between employees joining together for a common, concrete purpose, for and with the communities. They illustrate the Group's desire to make a positive contribution to a better world, by supporting projects based on education, support in particular for craftsmanship, solidarity, protection of the environment and cultural development. In 2020, the retail subsidiaries abroad included an investment goal for these operations in their budgets, in addition to the patronage actions by the Fondation d'entreprise Hermès.

In 2019, more than 3,000 employees worldwide were involved outside of their work time in environmental, cultural, and solidarity actions in their local communities. In a wide variety of fields, more than 280 concrete, meaningful initiatives were carried out, totalling more than 4,700 hours in a desire for long-term impact on the multi-local basis of "all artisans for sustainable development".

Among other things, the versions of Carrés Solidaires allow solidarity initiatives throughout the world to be supported and encouraged. In 2019, the Luxembourg, United Kingdom, China, Hong Kong, and U.S. subsidiaries took part in this initiative. Sales of 3,150 items created specifically for the initiatives were made for nine associations.

In France, 40 charitable actions were completed in 2019, either by a financial or in-kind donation or by contributing time.

The sustainable development department organises and raises the awareness of the teams, on a regular basis, throughout France and internationally. Its actions are for the long term with associations or other charitable organisations, and are publicised and implemented by a network of ambassadors.

In addition to the initiatives proposed during the Sustainable Development Week, whose program is echoed throughout the region, awareness-raising activities are organised throughout the year. Since 2016, employees of Hermès International have been offered solidarity baskets four times per year, which generate financial contributions to four associations. These associations are active in the areas of sustainable agriculture, student solidarity with universities, and people living in the streets.

For the 3rd consecutive year, a dedicated collection initiative resulted in 1,000 kilograms of toys from 13 sites in France. The partner association that will receive the toys works in workplace reinsertion while emphasizing the circular economy.

Since 2016, the seasonal uniforms of the sales associates are given to associations for professional reinsertion.

Since 2013, the Pantin site has been equipped with collection banks for used personal clothing and textiles. The Paris and Bobigny sites recently introduced such collection banks, and in 2019 nearly 2,700 kilograms of textiles were collected and donated to charity shops or recycled.

Charity races such as the Odyssea in the Paris region or in Alsace, donate the proceeds to medical research and enable participating employees to be actively involved.

Many financial donations are also made to help ensure the preservation of unique *savoir-faire*. In the Lyon region, Hermès provides precious support for museums that protect the exquisite textile arts.

Internationally, many actions are also carried out spontaneously or coordinated by the Hermès Group. For the 4th consecutive year, eight countries participated in Earth Hour, involving 82 stores that symbolically put out their lights for one hour on March 30th 2019. World CleanUp Day, another example, involved 10 countries and nearly 400 employees, who spent an average of half a day collecting, sorting and recycling waste in the office neighbourhoods, parks, and sometimes jointly with the residents of the towns where the production units are located.

In Europe, many subsidiaries are involved in the protection of children, and in 2019, the subsidiaries carried out a total of 68 actions that benefited their local communities.

In Spain, financial donations and guilds involving employees actively contribute to the fight against the exclusion of children in vulnerable situations. Summer camps enable young people to join together for recreational, health-related, and educational activities.

In England, in April 2019, the subsidiary made a three-year commitment to support an association for the prevention of child abuse.

Germany contributed financially to a program promoting the integration of seniors and young people, helping to break their solitude, through the preparation and distribution of balanced breakfasts. 1,400 seniors took part in this regional program. The subsidiary also contributes to financing a therapeutic and social educational program, and to a more global education program dedicated to children living in poverty.

Italy demonstrates its commitment through numerous donations, in particular in the domain of health.

More than 100 charitable actions involved Asian and Australian employees, who contributed actively to supporting and improving the living conditions of local communities, as well as to environmental protection.

In Asia, China undertook an initiative supporting children suffering from leukaemia, involving visits by 37 employees over 10 months, in collaboration with a local partner foundation. In addition to the time donated to this caused by the teams, a financial contribution and charity sale enabled the provision of material assistance to that foundation. The subsidiary actively continued providing support to some Miao embroiderers' villages. The Miao are an ethnic minority in the province of

Guizhou, and this action helps preserve the heritage of exquisite embroidering techniques. A visit to a village as well as an exhibition of creations by the villagers was an opportunity to share the beauty of this art with a great number of people. This initiative involved 33 employees who organised these two events.

Hong Kong confirms its strong support for children suffering from speech disabilities in low income families. The subsidiary also supported a programme for planting trees following disasters caused by the super typhoon of 2018, along with many other actions by employees to promote inclusion in local communities: awareness-raising on sustainable methods and workshops on upcycling, limiting food waste, as well as distributing meal boxes to needy persons.

In Taiwan, for the 3rd consecutive year, 600 charity scarves were sold to an institution specialised in welcoming people with disabilities. In the same context of long-term support, the subsidiary is providing assistance to an association that specialises in educating children living in poverty. Finally, financial support was given to 10 students in vulnerable situations, allowing them to continue their schooling.

Since 2017, Thailand has been supporting a programme for collecting unconsumed food, which is then redistributed to the most disadvantaged people. In 2019, the subsidiary initiated a three-year program dedicated to the social and economic development of women living in vulnerable situations, in the Omkoi district in the province of Chiang Mai.

Finally, the Travel Retail Division, which covers six countries in the Asia-Pacific region, once again made a donation of unbranded "Orange Boxes", containing essential and educational objects for underprivileged young people. Employees were involved in numerous environmental initiatives, such as cleaning beaches, urban areas, or planting vegetable gardens for the most underprivileged.

Hermès Australie partnered with Sydney Ballet to support the next generation of Australian dancers, as part of a pre-professional year program. Twenty-six students received financial support under this program. The subsidiary made a contribution to an international non-governmental organisation for biodiversity, to contribute to the restoration of ecosystems destroyed by fires that devastated the region. It also contributed to a mission of global significance with the Botanic Gardens & Centennial Parklands, dedicated to the digitisation of botanical specimens catalogued in the herb gardens, expanding the network of online resources, and raising awareness of the impact of plant diseases in horticulture and in the natural environment.

The Americas region itself totalled about 100 charitable initiatives for communities, in a large variety of fields of action.

In Brazil, the subsidiary helped an association for providing assistance to children of the Vila Prudente slum. This association welcomes 130 children every day and provides them with educational, sporting, and cultural activities. Items from display windows were used to brighten up the waiting room of a children's hospital, and the teams were able to enlarge the space and open it into a garden that had previously been abandoned. A library and books completed this generous action.

In the United States, the teams were involved in supporting the sick or people with disabilities, making a new commitment with the innovative dedicated organisations, for example through the practice of horse therapy. Employee volunteers also donated time to sick children through play workshops, or were involved in programmes devoted to the homeless: many collections of non-perishable goods, participation in the preparation and the distribution of meals, or financial contributions to an association that provides healthy food to isolated seniors. With the success of the previous years, the teams renewed their personal support and investment by helping renovate housing for people on low incomes, helping them improve their daily life and that of their families. Animal protection associations were not forgotten. Employees also took part in numerous waste collection initiatives in urban environments or on beaches as well as planting flowers in municipal parks.

Canada made a generous financial contribution to hospitals and to research against AIDS, cancer, and autism.

Skills Sponsorship

Hermès wishes to develop the commitment of its employees to the social and solidarity economy by promoting local integration. The Hermès 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. Through this volunteer program, employees in France can benefit from five paid volunteer days to support the development of charitable associations.

In 2019, Hermès notably developed Skills Sponsorships with partner associations. These Skills Sponsorships focused on highly varied subjects such as human resources, knowledge of IT tools, reporting, communications or management. More than 30 Skills Sponsorship ambassadors were trained in France, with the support of the expert partner Pro Bono Lsab to facilitate the deployment of this Skills Sponsorship approach among the teams. This network of ambassadors will be expanded in 2020 to continue these actions.

In 2019, more than 240 French employees dedicated a total of 290 days to skills sponsorships.

Among the broad actions carried out in Skills Sponsorship initiatives, many employees were involved in the "Le Relais" association and its stores dedicated to reselling collected used clothing. A team of 11 visual merchandisers was involved in three second hand stores "Ding Fring" to assist the local teams in the complete makeover of the stores to re-energise their sales. The action involved sharing skills and experience in space management, presentation of accessories and racks, as well as in the design and creation of the window displays.

For the first time, Hermès took part in an Innov'EPA-Entreprendre Pour Apprendre challenge with other member companies of the Alliance & Territoires network, in November 2019 at the Musée des Confluences in Lyon. The event brought together 70 young people of middle and high school ages for a full day, from rural areas and surrounding suburban neighbourhoods. Twelve employees of member companies of the "Alliance & Territoires" volunteered to coach these young people on the theme of "learning through enterprise". Divided into teams, they had to imagine and present a creative project on the theme of "How to act for a better world?".

In December 2019, 12 Hermès' employees spent a week helping the NGO Yagasu's project in Indonesia. Their action involved assisting in a new mangrove planting project, as well as support by expert craftspeople for local economic textile (batik) initiatives and the creation of handcrafted objects (wood). The NGO Yagasu is more broadly supported by the Livelihoods fund, in which Hermès is a shareholder (see below).

In Spain, three employees were involved in two associations devoted to supporting children and their families in danger of social exclusion. They contributed to the organisation of a summer camp, covering the children's different needs: education, recreation, supervision, etc.

In 2019, Hermès Suisse launched a partnership with the ALAYA organisation and took part in various initiatives such as collecting clothing at the Geneva and Zurich sites, sorting and distribution of clothing for Fondation Caritas, cleaning a river near Geneva, helping a permaculture farm, the performance of manual work with people with disabilities, etc. Hermès Suisse grants each employee one full paid day per year to carry out activities as part of Alaya. To date, 63 contributions have been completed, representing 212 hours of volunteering and 320 clothing items collected. Since the month of December, through the Alaya platform, employees can make financial contributions to the organisations or projects selected and audited by Alaya with a matching contribution from the subsidiary.

In England, the Human Resources team devoted the equivalent of one week to train young people and promote professional integration via the charitable organisation NSPCC for the protection of children. More than 20 days were also devoted to supporting the professional development of young people.

In Hong Kong, in connection with the charity Chicken Soup Foundation, three employees from the human resources department organised a recruitment interview simulation workshop for students in secondary school.

Fondation d'entreprise Hermès (see section 1.9)

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.

In 2019, the Fondation d'entreprise Hermès wished to give even more support to those who take action on the ground. Of the nine programmes it leads in support of the creation or promotion of *savoir-faire*, some have been expanded, like the action to preserve biodiversity and ecosystems. In addition to renewing its support for WWF France, the Fondation d'entreprise Hermès now supports Atelier Paysan, which helps agroecology players to develop environmentally friendly tools, and Vigie-Nature École, which is spearheaded by the French National Muséum of Natural History and combines information-gathering for researchers with educating young generations about the fragility of living species. It is this same concern for pragmatism and performance that led the Fondation d'entreprise Hermès to launch, as part of the Artistes dans la Cité programme, a scholarship scheme for students enrolled on a higher education course in dance or theatre so that they can pursue their studies in better living conditions.

The budget of the third mandate of the Fondation d'entreprise Hermès (April 2018 – April 2023) is €40 million (excluding Skills Sponsorships).

This budget (on the basis of revenue) is the highest of French business foundations (source: Carenews study dated February 18th 2018).



€40M
million budget
for the Fondation
d'entreprise
(2018-2023)

Hermès Hors les Murs

In 2019, four Hermès *Hors les Murs* festivals organised in Rome (Italy), Xiamen and Xian (China) and Stuttgart (Germany) allowed a mostly local public to discover the craftsmanship universe of the House. The craftspeople of 10 *métiers* showed their different *savoir-faire*, shared their experience, their passion for their *métier*, and chatted to visitors: Leatherwork, Saddlery, Silk engraving, Silk printing, Rolled hemming, Tie making, Watchmaking, Stonesetting, Porcelain painting, Glovemaking. These events, lasting from six to 10 days, had a total of more than 63,000 visitors who came to watch demonstrations by the craftsman and craftswomen. These events enabled the House to interact with its

stakeholders, and showcase the craftspeople and their *savoir-faire* abroad, as well as their exquisite French craftsmanship.

They have also been an opportunity to tell visitors about Hermès' sustainable development achievements through lectures, discussions and the projection of the "Footsteps across the world" films (see boxes at the end of each chapter).

Footsteps across the world

The commitment of Hermès, a responsible company, to these communities and regions, as well as the planet and its resources, is the subject of a series of films directed by Frédéric Laffont called "*Empreintes sur le Monde*" ("Footsteps across the world"), and is just one of the commitments driven by the House. In 2019, two new films were added to this series. The first, in Saint-Ouen, tells the story of craftspeople who share their *savoir-faire* with pupils as part of the Manufacto programme spearheaded by the Fondation d'entreprise Hermès in schools. The second film, which was made in Hong Kong, offers an inside look into the activity of one of the House's 15 repair shops. Several craftspeople work there to uphold the highest standards in restoring Hermès objects. These objects, made lasting by their first-rate materials and artisanal *savoir-faire*, embody the words of Jean-Louis Dumas: "A luxury product is one that can be repaired." A selection of films from this series has been screened in France (Marseille, Lille, Bordeaux) and internationally (Nashville, New York, Copenhagen, Milan, Stuttgart), and broadcast on television on a Shanghai documentary channel. These are among the mediums used to most widely publicise how Hermès promulgates its artisanal values.

Livelihoods

Since 2012, Hermès has been a partner of the Livelihoods Fund (LH), 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).

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, CDC, Schneider Electric, La Poste, Hermès International, Voyageurs du Monde, SAP, Firmenich and Michelin. The initial term of the LCF1 fund is 24 years, and the projects run for between 10 and 20 years. The fund has two sub-funds (LCF1 and LCF2). LCF1, launched in 2011, is the only one that has generated carbon credits to date. Sub-fund LCF2, launched in 2017 and larger than LCF1, is half-way through its investment process, in particular by the extension of the projects of the LCF1 sub-fund. For the time being it does not deliver any credits.

LIVELIHOODS CARBON FUND #1

Nine extensive projects with concrete social and environmental results



2



1 million	130 million	120,000	10 million	9	40 million
project beneficiaries	trees being planted	households being equipped with efficient cookstoves	tons of CO ₂ to be sequestered over 20 years	active projects (Africa, Asia & Latin America)	€ invested

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 whose characteristics is to expand their scope to a very large scale, for periods from 10 to 20 years, are the following:

- ♦ **restoration and preservation of natural ecosystems**, for example mangrove forests. Nearly 8,000 hectares were replanted in the Océanium project in Casamance; 4,500 hectares in the News project in the Ganges delta; 5,000 hectares in the Yagasu project in Indonesia. 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 in India have planted six million trees (fruit, firewood, construction, etc.), including three million coffee bushes, on agroforestry models. In Guatemala, 4,000 hectares of trees and food crops are planted in the Cerro San Gil mountain area ("Fundaeco" 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 Tiipaalgá 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 the financial support of the French development agency (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 2019, the above 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 CO₂ equivalent captured or avoided (projects last between 10 to 20 years). Thus, they help to offset Hermès’ carbon emissions, on a voluntary basis.

The results obtained from the funds’ projects have encouraged the shareholders of Livelihoods, including Hermès, to launch a second carbon fund in 2019, functioning on similar principles to the first fund. In 2020, the shareholders of Livelihoods are working on a third Livelihoods project.

With Manufacto, craftspeople are returning to school to share their métiers

He was a salesman, she was an accountant. Benjamin and Emmanuelle dropped everything to focus on leather goods and saddlery, a passion that they now share even in the classrooms. When school starts up in the fall, they leave home with their tools and rolls of leather to meet students from 9 to 16 years old and their teachers. Like them, dozens of craftspeople who work with leather, wood, or plaster, decided to return to school to teach the younger generations about craft *métiers*, as part of the Manufacto workshops.

This programme, launched in 2016 by the Fondation d’entreprise Hermès with the Rectorat de Paris, the Compagnons du Devoir, the Camondo school and Villa Noailles, takes place in the educational authority areas of Paris, Créteil, Nice, Lyon and Besançon. In December 2019, nearly 1,100 students in 41 schools benefited from this. The career paths taken by Benjamin and Emmanuelle, which initially were not the right ones for them, bear witness to the effort needed to better communicate about manual *savoir-faire* in elementary, middle and high schools.

The approach of Manufacto is to innovate in this area, drawing on the actual experience of the craftspeople: pleasure in doing things comes first and foremost from making things. Students learned about the importance of technique and several hand movements by holding a hammer, polishing a leather, or trying to make a saddle stitch. From a lamp to a stool, a loudspeaker, a pencil case or a wall-mounted change tray, an object is created from A-Z. When the students leave these workshops with their masterpiece in their hand, their attitude toward craftsmanship is transformed. Some students discover a desire, such as Benjamin and Emmanuelle, to eventually find work in crafts.



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 retail subsidiaries, as part of a Hermès 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 a positive 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 development, and that of the new facilities helps to create local value. Over the last five years, the Hermès Group has opened eight new production sites and created 2,471 jobs in France.

◆ 8.3: “Development of employment and local purchasing”

The work carried out in partnership with French job centres made it possible in particular to hire people at the leather goods workshops, who did not have experience as craftspeople. Today, 90% of craftspeople 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' objects are designed to last. They 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 Hermès Group does not have a significant presence in developing countries. Retail subsidiaries abroad comply with taxes and specific local charges associated with development.

2.8 ETHICS - COMPLIANCE

2.8.1 COMMITMENTS

Hermès is a mosaic of women and men who work hard every day 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

2.8.1.1 PROMOTION OF AND COMPLIANCE WITH CONVENTIONS ON HUMAN RIGHTS AND FUNDAMENTAL FREEDOMS

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 freedoms of the European Union;
- ◆ the Charter of fundamental freedoms of the International Labour Organization, the principles of which are grouped under the following themes: freedom of association, forced labour, 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 have been clearly set out in the Group's ethics charter since 2009 and in its code of business conduct since 2012, available on the Group intranet and given to all employees, as well as in the "Les Essentiels" section, available at <https://finance.hermes.com>.

2.8.1.2 ETHICS CHARTER

The ethics 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.

This charter 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

The House's ethics have been enshrined, since 2009, in a 40-page ethics charter, available in 13 languages and updated in 2016, distributed to all employees worldwide. It is also available on our intranet, HermèSphère, in the section "Our House/Our ethics". It aims to enrich 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 ethics 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 seem 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 mental 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 ethics 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... applied both internally and externally. The authenticity of materials (including their origin), 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 the Group's 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 designs its manufacturing sites so as to blend into the landscape, to prevent accidental pollution and to limit noise and other nuisances;
- regarding its stakeholders, Hermès 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.

2.8.1.3 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 be responsible 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 32-page code of business conduct, available in 13 languages and updated in 2018, is distributed to all employees worldwide along with a verbal explanation. It sets out the House's guiding principles on a number of operational topics. The Code is signed by the Executive 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/>. It was updated in 2018 and redistributed with an explanation of its contents to all Group employees.

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 whistleblowing 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, and whose link is available on the Group's intranet site ("Our House/Our Ethics").

These reports are treated confidentially and in line with the applicable legal framework, protecting the whistleblower.

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 the Group's activities.

The Group's policy is to not support any political party and to prohibit any political activism in the name of Hermès;

♦ **Benefits and gifts**

This sheet outlines the principles governing ethics and transparency with respect to the offering and receiving of gifts, in accordance with local regulations, and Group procedures;

♦ **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 employees 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 conflicts of interest, and specifies the types of behaviour that are prohibited. 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 people concerned.

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 French law and 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 it 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 ethics 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.

The opportunity to revise the ethics charter and code of business conduct is reviewed each year by the Compliance and Vigilance Committee described in section 2.8.2.3. Any amendment to these documents must be validated by the relevant member of the Executive Committee.

2.8.1.4 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 incriminated by the Labour Code. If intentional, it may constitute an 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 "H-Alert!" whistleblowing system, which guarantees that conversations will remain confidential. 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 takes action against all abusive behaviour.

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 raises awareness among managers of the existence of these psychosocial risks (stress, harassment, violence at work, burnout, etc.). It also teaches them how to detect situations that can lead to these risks and to identify the warning signals. The objective is to know how 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 on 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 be extended internationally.

2.8.2 ORGANISATION

2.8.2.1 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 treated.

It comprises the Executive Vice President, Governance and Organisational Development, who is a member of the Executive Committee and chairs the meetings, the Group General Counsel, the Human Resources Director and the General Counsel Compliance.

The Ethics Committee meets as often as necessary.

2.8.2.2 GENERAL COUNSEL COMPLIANCE

The main task of the legal compliance department 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. The position of General Counsel Compliance reports to the Group General Counsel, who reports to the Executive Vice President, Governance and Organisational Development, member of the Executive Committee, who in turn reports to the Group's Executive Chairman.

The independence of the General Counsel Compliance 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 chairs and oversees the Compliance and Vigilance Committee. He reports on the actions and decisions of the Compliance and Vigilance Committee to the Executive Vice President, Governance and Organisational Development. He is also a member of the Ethics Committee, chaired by the Executive Vice President, Governance and Organisational Development.

The legal compliance department relies on the lawyers in the Hermès international legal department, based in Paris, on subsidiaries' legal departments (in Lyon, New York, Shanghai, Singapore, Seoul 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.

2.8.2.3 COMPLIANCE AND VIGILANCE COMMITTEE

The Compliance and Vigilance Committee is composed of the following people:

- ◆ General Counsel Compliance;
- ◆ 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.

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.

2.8.2.4 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 data subjects and for data protection authorities.

This position reports to the General Counsel Compliance, who reports to the Group General Counsel, reporting to the Executive Vice President, Governance and Organisational Development, member of the Executive Committee, who in turn reports to the Group's Executive Chairman.

2.8.2.5 PERSONAL DATA PROTECTION GOVERNANCE

In order to carry out its work, the Data Protection Officer relies on 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 alerted to local legal and regulatory changes, as applicable.

2.8.3 IMPLEMENTATION

2.8.3.1 CORRUPTION

Combatting corruption is an obvious 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 ethics culture that leaves no place for dishonest conduct.

Combatting corruption thus also means including this ethics 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 website <https://finance.hermes.com/>.

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 in countries abroad in which it operates, such as the Foreign Corrupt Practices Act in the United States, the United Kingdom Bribery Act and Legislative Decree 231 in Italy. This monitoring is carried out in-house and by external firms.

2.8.3.1.1 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 ethics rules, applying a firm policy of zero tolerance of any act of corruption.

Corruption risk mapping, initiated by the governing body and driven by the General Counsel Compliance, was signed by all the members of the Executive Committee, thus clearly demonstrating the importance put on analysing and identifying Group-specific risks.

The fight against corruption in all these forms permeates all the Group's policies and procedures.

2.8.3.1.2 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 mapping was produced jointly by the legal 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. For each risk, the internal and external causes and aggravating factors are targeted.

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.

The legal compliance department carries out corruption risk analyses on *métiers*, entities and countries, according to the risks identified in the Group's corruption risk mapping.

The Group risk mapping will be updated in 2020.

2.8.3.1.3 Anti-corruption code of conduct

An Anti-corruption code of conduct, drafted in 2018 from the results of the Group's corruption risk mapping, is available in 18 languages. This code of conduct was validated by the Group's governing bodies and communicated to all Group entities and structures. It has also been provided to each Group employee.

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 line 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 Senior Executives and forms an integral part of the values and principles that unite all Hermès Group employees.

Mr Axel Dumas – Executive Chairman

This code:

- ♦ defines offences entailing corruption and influence-peddling, along with the stakes involved and the various forms they may take;
- ♦ 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 at-risk situations and adopt appropriate behaviours;
- ♦ defines offences;
- ♦ introduces the "H-Alert!" whistleblowing system which is described in a separate procedure.

In particular, this code describes rules on gifts and invitations, relations with third parties and public officials, the ban on facilitation payments, management of conflicts of interest, patronage and sponsorship, representation of interests, etc.

2.8.3.1.4 An internal whistleblowing system

The Group's internal whistleblowing system "H-Alert!" is described in section 2.8.4.1 below.

2.8.3.1.5 Procedures for monitoring clients, first-tier 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 mainly sold *via* stores, the majority of which are owned by the Company (branches), to customers who visit the 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 business intermediaries in some *métiers*.

The Group develops long-term relationships with its partners, thereby protecting its sources of supply and business relationships.

The commitments taken 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 third party 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 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;
- ♦ a procedure for "sensitive countries";
- ♦ a procedure to prevent money laundering and corruption;
- ♦ analysis grids and questionnaires to assess third party risk levels;
- ♦ procedures for selecting suppliers and subcontractors, business intermediaries, agents, distributors and concessionaires;
- ♦ a suppliers' charter, a business ethics 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;
- ♦ external evaluations on third-party compliance and integrity risks;
- ♦ 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.

A new electronic tool for evaluating third-party integrity and reputation, set up with the help of an external provider, has been rolled out across the Group.

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 legal department.

2.8.3.1.6 Accounting control procedures

Internal control and risk management procedures relating to the preparation and processing of accounting and financial information, as described in section 1.11, form an integral part of the Group's anti-corruption system and, in particular, are aimed at preventing and detecting any act of corruption. In 2019, controls on accounts deemed "more sensitive" as regards to the fight against corruption were reinforced. Furthermore, annual self-assessment campaigns (see section 1.11.7.6.) are an important tool when it comes to the process of applying accounting control procedures across all the Group's entities.

The audit and risk management department monitors the proper application of these procedures during its internal audits.

2.8.3.1.7 Training system intended for executives and employees most at risk

The training system is described in section 2.8.4.4 below.

2.8.3.1.8 Disciplinary measures to sanction violations of the anti-corruption code of conduct

The sanctions system is described in section 2.8.4.2 below.

2.8.3.1.9 Internal monitoring and assessment system

Internal and external audits of the Group's companies and *métiers* as well as of its significant 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, hygiene, health and employee safety. The methodology of these controls and audits is described in section 1.11 "Risk factors". Group procedures have been reinforced to include gifts offered by and to third parties, conflicts of interest, sponsorship, communication, evaluation of third parties and combatting money laundering.

2.8.3.2 VIGILANCE

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 reasonable vigilance plan to identify risks and prevent serious violations of human rights and fundamental freedoms, and the health and safety of people and the environment, resulting from its activities as well as the activities of its subcontractors and suppliers.

The vigilance plan was subjected to an effectiveness assessment in the 2019 financial year. This assessment is set out in the table below and

refers to Group policies, measures implemented in 2019, key performance indicators and their location within this document.

CROSS-REFERENCE TABLE:

HUMAN RIGHTS AND FUNDAMENTAL FREEDOMS

	Group activities	Suppliers and subcontractors
Risk mapping	<ul style="list-style-type: none"> ◆ CSR risk analysis (2.1.3.1) 	<ul style="list-style-type: none"> ◆ Risk mapping by purchase category (2.6.2.3) <p>Indicators: 66% of risk mappings by purchase category completed</p>
Regular assessment procedures	<ul style="list-style-type: none"> ◆ Industrial affairs department network: internal diagnostics, audits conducted by external specialists and operational improvement plans (2.2.1.2) ◆ Internal control and risk management systems established by the Company (1.11.7) 	<ul style="list-style-type: none"> ◆ Audit and Direct Purchasing Committee – managing audit results and action plans (2.6.2.3) ◆ Coordination of Group policies for direct and indirect purchasing (2.6.2.2) ◆ Tools for analysing supplier and subcontractor risks provided to and applied by purchasers (2.6.2.2) ◆ Audits conducted by specialist service providers in certain channels (alligator, cashmere, wood) WWF (2.4.1.1) ◆ Supplier audits by a third-party organisation (2.6.2.3) <p>Indicators: Total audit hours: 5,000</p>
Mitigation and prevention measures	<ul style="list-style-type: none"> ◆ Dissemination of Group values: Code of business conduct (2.8.1.3) and three specific SD training modules included in the internal integration training programmes at Ex-Libris University ◆ Training on ethics issues (2.8.4.4) ◆ Training and development of employee expertise (2.3.2.3) ◆ Maintaining diversity (2.2.2.2) <i>Roll-out of “Alterego” training programme</i> ◆ 16 weeks' maternity leave across the Group (2.2.1.2) ◆ Health and Well-being at work initiative (2.2.1.2) <i>(83% participation rate – 6,600 participants)</i> ◆ Employee questionnaires on monitoring social dialogue (2.2.1.2) 	<ul style="list-style-type: none"> ◆ Training for direct and indirect purchasers (2.6.2.3) ◆ Social, environmental and ethics policy (handbook 2) (2.6.2.3) ◆ Monitoring audits (2.6.2.5 and 2.6.2.6) ◆ Recruitment of a “project leader for supplier audits and CSR” to participate in audits and provide formal monitoring (2.6.2.3) <p>Indicators: Signature rate for handbook 2: 76%</p>
Alert mechanisms	<ul style="list-style-type: none"> ◆ Professional whistleblowing system (2.8.4.1) 	<ul style="list-style-type: none"> ◆ Professional whistleblowing email alert address for suppliers and subcontractors (2.6.2.4)
Measuring and monitoring system	<ul style="list-style-type: none"> ◆ Audit and risk management department (1.11.7) ◆ Audit of the application of ethical values (2.8.4.3) <p>Indicators:</p> <ul style="list-style-type: none"> ◆ Employer award received by Hermès (2.3.1.2): ◆ Number of hours devoted to training : 463,514 hours (2.3.2.3) ◆ Breakdown by gender (men/women): 32%/68% (2.2.2.2) 	<ul style="list-style-type: none"> ◆ System of monitoring by audit and risk management department (2.6.2.5 and 2.6.2.6)

HEALTH AND SAFETY

	Group activities	Suppliers and subcontractors
Risk mapping	<ul style="list-style-type: none"> ◆ CSR risk analysis (2.1.3.1) 	<ul style="list-style-type: none"> ◆ Risk mapping by purchase category (2.6.2.3) Indicators: 66% of risk mappings by purchase category completed
Regular assessment procedures	<ul style="list-style-type: none"> ◆ HSE audits conducted by an external specialist (2.2.1.2) ◆ Information system rolled out on sites for Group health and safety reporting (2.2.1.2) ◆ Internal safety audits (2.2.1.2) ◆ Internal control and risk management systems established by the Company (1.11.7) 	<ul style="list-style-type: none"> ◆ Audit and Direct Purchasing Committee– managing audit results and action plans (2.6.2.3) ◆ Coordination of Group policies for direct and indirect purchasing (2.6.2.2) ◆ Tools for analysing supplier and subcontractor risks provided to and applied by purchasers (2.6.2.2) ◆ Supplier audits by a third-party organisation (2.6.2.3) Indicators: Total audit hours: 5,000
Mitigation and prevention measures	<ul style="list-style-type: none"> ◆ Dissemination of Group values: Code of business conduct (2.8.1.3) and three specific SD training modules included in the internal integration training programmes at Ex-Libris University ◆ Training on ethics issues (2.8.4.4) ◆ HSE regulatory monitoring conducted by an external specialist and distributed to each industrial <i>métier</i> (2.2.1.2) ◆ Coordination of the Environmental, Health and Safety network by the industrial affairs department, training and sharing best practices (2.2.1.2) ◆ Health and well-being at work initiative (2.2.1.2) (83% participation rate – 6,600 participants) 	<ul style="list-style-type: none"> ◆ Training for direct and indirect purchasers (2.6.2.3) ◆ Social, environmental and ethics policy (handbook 2) (2.6.2.3) ◆ Monitoring audits (2.6.2.5 and 2.6.2.6) ◆ Recruitment of a “project leader for supplier audits and CSR” to participate in audits and provide formal monitoring (2.6.2.3) Indicators: Signature rate for handbook 2: 76%
Alert mechanisms	<ul style="list-style-type: none"> ◆ Professional whistleblowing system (2.8.4.1) ◆ Email alerts when reporting workplace accidents in the dedicated information system (2.2.1.2) 	<ul style="list-style-type: none"> ◆ Professional whistleblowing email alert address for suppliers and subcontractors (2.6.2.4)
Measuring and monitoring system	<ul style="list-style-type: none"> ◆ Audit and risk management department (1.11.7) ◆ Audit of the application of ethical values (2.8.4.3) ◆ External firm specialising in conducting HSE compliance audits in our various units (2.2.1.2) Indicators: Workplace accident rate: 10 with a severity rate if 0.45 (2.2.1.3) Turn-over: 1.3% (2.2.1.3)	<ul style="list-style-type: none"> ◆ System of monitoring by audit and risk management department (2.6.2.5 and 2.6.2.6)

ENVIRONMENT

	Group activities	Suppliers and subcontractors
Risk mapping	<ul style="list-style-type: none"> ◆ CSR risk analysis (2.1.3.1) 	<ul style="list-style-type: none"> ◆ Risk mapping by purchase category (2.6.2.3) <p>Indicators: 66% of risk mappings by purchase category completed</p>
Regular assessment procedures	<ul style="list-style-type: none"> ◆ HSE audits conducted by an external specialist (2.2.1.2) ◆ Water risk assessment with WWF (2.5.2.2) ◆ Tools for updating the overall assessment of greenhouse gas emissions from Group production and distribution sites (2.5.2.2) ◆ Audits of exotic skin supply chains by external parties (WWF, veterinarians, NGOs, etc.) (2.4.1.2) ◆ Internal control and risk management systems established by the Company (1.11.7) 	<ul style="list-style-type: none"> ◆ Audit and Direct Purchasing Committee – managing audit results and action plans (2.6.2.3) ◆ Coordination of Group policies for direct and indirect purchasing (2.6.2.2) ◆ Tools for analysing supplier and subcontractor risks provided to and applied by purchasers (2.6.2.2) ◆ Audits conducted by specialist service providers in certain channels (alligator, cashmere, wood) WWF (2.4.1.1) ◆ Supplier audits by a third-party organisation (2.6.2.3) <p>Indicators: Total audit hours: 5,000</p>
Mitigation and prevention measures	<ul style="list-style-type: none"> ◆ Three specific SD training modules included in the internal integration training programmes at Ex-Libris University ◆ Group environmental policy (2.5.1.1) ◆ HSE regulatory monitoring conducted by an external specialist and distributed to each industrial <i>métier</i> (2.2.1.2) ◆ Coordination of the Environment network Health and Safety by the industrial affairs department, training and sharing best practices (2.5) ◆ Sustainable development ambassadors: over 200 employees worldwide (2.3.2.2) ◆ Sustainable construction policy for construction development department (2.5) ◆ Managing materials sparingly (2.4.2) ◆ Controlled consumption of natural resources (2.5.1) <i>Programme for renewable energies</i> (2.5.1.2) ◆ Control of the carbon impact in scopes 1, 2 & 3 and carbon offset (2.5.2.2) ◆ Waste management (2.5.3.2) ◆ Respecting and protecting biodiversity (2.5.4) <i>Act4Nature</i> (2.5.4.2) <i>High-quality supplies and work on animal welfare</i> (2.4.1.2) 	<ul style="list-style-type: none"> ◆ Training for direct and indirect purchasers (2.6.2.3) ◆ Social, environmental and ethics handbook (folio 2) (2.6.2.3) ◆ Monitoring audits (2.6.2.5 and 2.6.2.6) ◆ Recruitment of a “project leader for supplier audits and CSR” to participate in audits and provide formal monitoring (2.6.2.3) <p>Indicators: Signature rate for handbook 2: 76%</p>
Alert mechanisms	<ul style="list-style-type: none"> ◆ Professional whistleblowing system (2.8.4.1.) 	<ul style="list-style-type: none"> ◆ Professional whistleblowing email alert address for suppliers and subcontractors (2.6.2.4)
Measuring and monitoring system	<ul style="list-style-type: none"> ◆ Audit and risk management department (section 1.11.7) ◆ Audit of the application of ethical values (2.8.4.3) ◆ External firm specialising in conducting HSE compliance audits in our various units (2.2.1.2) <p>Indicators: CDP score: B (2.5.2.1) Water consumption at industrial sites (2.5.1.2) Energy consumption at industrial sites (2.5.1.2)</p>	<ul style="list-style-type: none"> ◆ System of monitoring by audit and risk management department (2.6.2.5 and 2.6.2.6)

2.8.4 CONTROL AND ASSESSMENT SYSTEM

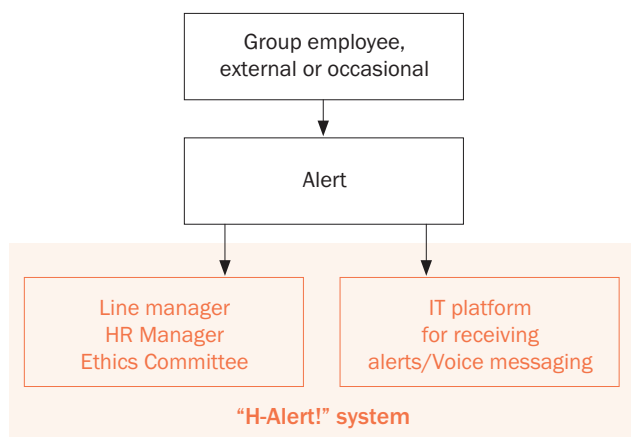
2.8.4.1 PROFESSIONAL WHISTLEBLOWING SYSTEM

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 “H-Alert!” system is used to report serious cases that could constitute a breach of a legal standard as defined in Article 6 of law no. 2016-1691 of 9 December 2016, known as the Sapin II law, a breach of the Group’s codes, procedures and ethics standards and the existence of risks or serious infringements of human rights and fundamental freedoms, health and safety of people or the environment resulting from the Group’s activities and/or those of its subcontractors or suppliers.

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;
- ♦ via an intranet platform, a secure, independent technical system, or by voice messaging, systems available 24/7 and operated by an external service provider. These alerts are forwarded to the Ethics Committee.



Within 15 days following receipt of the alert, the whistleblower will receive a written and dated acknowledgement of receipt by any means. The acknowledgement of receipt will specify a reasonable and foreseeable deadline (about one month) for examining the alert.

This technical system is available in 18 languages. It was validated by the Group’s governing bodies and communicated to all Group entities

and structures. An information notice has been forwarded and explained to all Group employees.

Eight alerts were received in 2019 via the “H-Alert!” system. All alerts are monitored and some cases are still being examined.

Local whistleblowing systems are also in place in major subsidiaries such as the United States and China. In 2019, nine alerts were received and processed in the United States, and three in China.

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.

Furthermore, in the event of a breach or situation contrary to the ethics, social and environmental principles, the Hermès Group has provided its suppliers and subcontractors with an alert mechanism in the form of a generic email address. These alerts are analysed by the legal department and the purchasing department.

The Company undertakes not to impede access to legal or other available mechanisms, including mediation processes, for persons reporting negative impacts, especially on human rights, and undertakes to protect the whistleblower.

2.8.4.2 SANCTIONS SYSTEM

The sanctions system in place for compliance programmes corresponds to the system of sanctions described in the internal 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 internal 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 internal rules of procedure set out rules on disciplinary matters, or an employee handbook contains rules on disciplinary law; both include anti-corruption measures.

2.8.4.3 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 control and assessment 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 procedures on ethics and integrity and, in particular, those relating to the fight against corruption and influence-peddling;
- ♦ the second level of control involves internal controllers in each entity/*métier*, working in close collaboration with the legal 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.

2.8.4.4 TRAINING ON ETHICS ISSUES

Several Group internal departments offer employee training, particularly, the legal 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.

2.8.4.4.1 Training provided by the legal compliance department

Specific face-to-face training modules on the Group's ethics and anti-corruption policy, the contents of which are adapted to the teams, subsidiaries and *métiers* in question, are delivered by the legal 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 knowledge and tools needed to prevent and detect at-risk situations and to determine the behaviour to adopt in such cases.

In the 2019 financial year, the training programme was stepped up and a number of face-to-face 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. Russia, Switzerland, Turkey, South Korea, Singapore, Australia, Hong Kong, Taiwan, the United Kingdom, Germany, Italy and Spain).

The roll-out of these training sessions is closely monitored by the legal compliance department, in collaboration with Internal Control and Human Resources.

In addition, an online Group e-learning system dedicated to ethics and combatting corruption has been set up. Its purpose is to enable all employees worldwide, as well as their external and occasional employees, to be able to prevent risks of corruption and breaches of ethics. This e-learning system includes a comprehension and simulation exercise to ensure that employees have fully understood the risks of corruption and how to manage them.

2.8.4.4.2 Other training aimed at preventing the risks of corruption and breaches of ethics

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 2019, 2,729 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 is regularly delivered in all subsidiaries worldwide. Since the module was set up in 2017, 5,530 persons have received training.

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 Committees, 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.

2.8.4.5 NETWORK OF COMPLIANCE LIAISON OFFICERS WITHIN THE GROUP

Legal teams located in France (Paris and Lyon) and abroad, particularly in the United States, China, Japan, Singapore and South Korea, make up the network of compliance liaison officers. They act with the Group legal compliance department and with the Group Data Protection Officer in order to develop, facilitate, coordinate and monitor compliance programmes within the Group. Legal teams have access to a compliance review framework developed in collaboration with the legal compliance department.

Internal controllers and auditors also play a role in the implementation and monitoring of procedures on these subjects (see 1.11 "Risk factors"). Internal Group controllers have access to a compliance review framework and second-level control plan developed in collaboration with the legal compliance department and the audit and risk management department.

2.9 REPORT BY ONE OF THE STATUTORY AUDITORS, APPOINTED AS AN INDEPENDENT THIRD PARTY, ON THE CONSOLIDATED NON-FINANCIAL INFORMATION STATEMENT INCLUDED IN THE MANAGEMENT REPORT

This is a free translation into English of the Statutory Auditor's report issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

For the year ended December 31st 2019

To the Shareholders,

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), we hereby report to you on the non-financial information statement¹ for the year ended... (hereinafter the “Statement”), included in the management report² 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 entity'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 and anti-corruption and tax evasion 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, where applicable, 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 outcomes¹ that we considered to be the most important, 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 entities² and covers between 19% and 51% 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;
- ◆ 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. List quantitative information (key performance indicators and outcomes) in an appendix.

2. Sample of entities selected: for the Construction Department: : Stores of Cannes (France), Sèvres (France), Rome - Via Bocca di Leone 23a-27 - Rome (Italy), Milan - Via Monte Napoleone, 12 - Milan (Italy), 100 Bloor Street West, Toronto ON, M5S 3L3, Suite 1100 (Canada), HAWAII - ALA MOANA (United States), NY MADISON 691 (United States), HZ-EU (China), CD-DC (China), Seoul- Hermes Dosan Park (Corea), Midouji (Japan), Ginza (Japan). For the Industrial Department: Beyrand (Porcelain), Cairns Crocodile Farm (Farm), CIA (Leather goods), Compagnie des Cristalleries de Saint-Louis (Cristal), ITH Bougoin (Textiles), Janamba Crocodile Farm (Farm), Lagoon Crocodile Farm (Farm), SIEGL (Silk and Textile), Tannerie du Puy (Tannery), Vivoin TCIM (Tannery). For the Human Resources Department: Atelier HCI (France), Hermès GB (United Kingdom), Hermès Japon (Japan), Hermès Korea (Corea), Hermès Sellier (France), Hermès Suisse (Switzerland), HOP (United States), Ardennes (France), Sayat (France), Seloncourt (France), Sud Ouest (France), SIEGL (France).

MEANS AND RESOURCES

Our work was carried out by a team of 7 people between November 2019 and March 2020 and took a total of 10 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

Based on our work, nothing has come to our attention that causes us to believe that the non-financial information 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, 4 March 2020

One of the Statutory Auditors

PricewaterhouseCoopers Audit

Olivier Auberty

Partner

Sylvain Lambert

Sustainable Development Partner

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.

APPENDIX: LIST OF THE INFORMATION WE CONSIDERED MOST IMPORTANT¹

Selection of qualitative and quantitative information, associated to the policies, actions and results relating to the 15 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
Teams	<ul style="list-style-type: none"> ◆ Chapter 2.2 Including the results and KPIs: ◆ Total workforce and breakdown* ◆ Number of dismissals* ◆ Workplace accidents, Frequency rate, Severity rate* ◆ Number of deadly work-related accidents ◆ Number of occupational illnesses* ◆ Absenteeism rate in France* ◆ Number of diversity trainings provided to managers
Savoir-faire	<ul style="list-style-type: none"> ◆ Chapter 2.3 Including the results and KPIs: ◆ Number of training hours* ◆ Number of permanent, fixed-term, work-study and internships contracts posted on the Hermès Employer site ◆ Number of unique visitors visiting the Hermès website ◆ Number of followers on LinkedIn
Raw materials	<ul style="list-style-type: none"> ◆ Chapter 2.4 Including the results and KPIs: ◆ Evolution of the overall tonnage of industrial waste* ◆ Share of sites which have undergone one or more internal audits on leather goods best practices ◆ Reach of the target set on consumption for HMS sites
Environment	<ul style="list-style-type: none"> ◆ Chapter 2.5 Including the results and KPIs: ◆ Total water consumption of industrial sites and farms* ◆ Total gas consumption of industrial sites and farms* ◆ Electricity consumption for industrial sites and farms* and for stores and offices ◆ Fuel consumption for industrial sites and farms* ◆ Renewable energy consumption for industrial sites and farms* ◆ Total energy consumption for industrial sites and farms* ◆ Weight of Ordinary Industrial Waste (OIW) for industrial sites and farms* ◆ Weight of Hazardous Industrial Waste (HIW) for industrial sites and farms* ◆ Scope 1 and scope 2 carbon emissions for industrial site and farms* ◆ Scope 3 carbon emissions* ◆ Offsetting of carbon emissions with Livelihoods ◆ Share of Leather Goods and Saddlery division production units having set actions to support biodiversity ◆ Share of Leather Goods and Saddlery division production units having not set actions to support biodiversity
Suppliers and partners	<ul style="list-style-type: none"> ◆ Chapter 2.6 Including the results and KPIs: ◆ Average length of our trading relationship with the Top 50 suppliers ◆ Share of direct purchase categories on which have been performed formalised risk mapping ◆ Number of audits time spent on supplier audits for direct and indirect purchase categories ◆ Share of suppliers having signed the handbooks 1 and 2
Stakeholders and local integration	<ul style="list-style-type: none"> ◆ Chapter 2.7 Including the results and KPIs: ◆ Percentage of employment in France and number of jobs created* ◆ Number of hires in France, of which permanent jobs* ◆ Number of solidarity actions carried out by geography ◆ Livelihoods project: number of projects, surface replanted with trees and number of beneficiaries
Ethics – Compliance	<ul style="list-style-type: none"> ◆ Chapter 2.8 Including the results and KPIs: ◆ Number of employees trained on ethics

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.

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SUPERVISORY BOARD'S REPORT ON CORPORATE GOVERNANCE

This chapter incorporates, in sections 3.1 to 3.7, the report of the Supervisory Board on corporate governance prepared pursuant to Article L. 226-10-1 of the French Commercial Code (*Code de commerce*) and in accordance with the recommendations of 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 25 February 2020.

3.1 THE COMPANY'S CORPORATE GOVERNANCE CODE

3.1.1 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, updated in January 2020, 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.

3.1.2 PROVISIONS OF THE AFEP-MEDEF CORPORATE GOVERNANCE CODE, UPDATED IN JANUARY 2020, 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 most recent update of the Afep-Medef Code in January 2020 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 11.3) It is recommended that at least one meeting not attended by the Executive Corporate Officers be organised each year.	In view of the role of the Supervisory Board (described on page 213) in a <i>société en commandité par actions</i> (SCA – partnership limited by shares), this provision of the Afep-Medef Code does not apply.
Succession plan for Executive Corporate Officers (Article 17.2.2) The Appointments Committee (or an <i>ad hoc</i> 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 <i>ad hoc</i> 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 249 <i>et seq.</i>) 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 197). In 2018, the CAG-CSR Committee also ensured that there was a succession plan for the Chairman of the Supervisory Board, and this mission features in its rules of procedure (see page 209).
Composition of the Compensation Committee (Article 18.1) It is recommended that one of its members be an employee director.	The Company's CAG-CSR Committee (see description starting on page 249 <i>et seq.</i>) is not tasked with establishing the compensation policy for the Executive Chairmen, a task that 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. The role of the Supervisory Board in the decision-making process applicable to the compensation policy for the Executive Chairmen is described on page 257.

Provisions of the Afep-Medef Code not applied due to the Company's legal form

Explanations

Proportion of independent members on the Audit and Risk Committee (Article 16.1)

Independent directors should account for at least two thirds of Audit and Risk Committee members and the Committee should not include any Executive Corporate Officers.

The Supervisory Board determined that 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. The Audit and Risk Committee rules of procedure stipulate that at least one-half of the seats on the Audit and Risk Committee should 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 evaluation.

Severance payment (Article 25.5.1)

The performance requirements set out by Boards for these benefits must be evaluated 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 418 *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 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.

In its November 2018 report on corporate governance and Senior Executive 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 questions the possibility and desirability of compliance with new Code provisions.

No compliance was made necessary by the new provisions of the Afep-Medef Code updated in January 2020.

Changes made since the most recent update of the Afep-Medef Code in January 2020 to ensure compliance therewith

Explanations

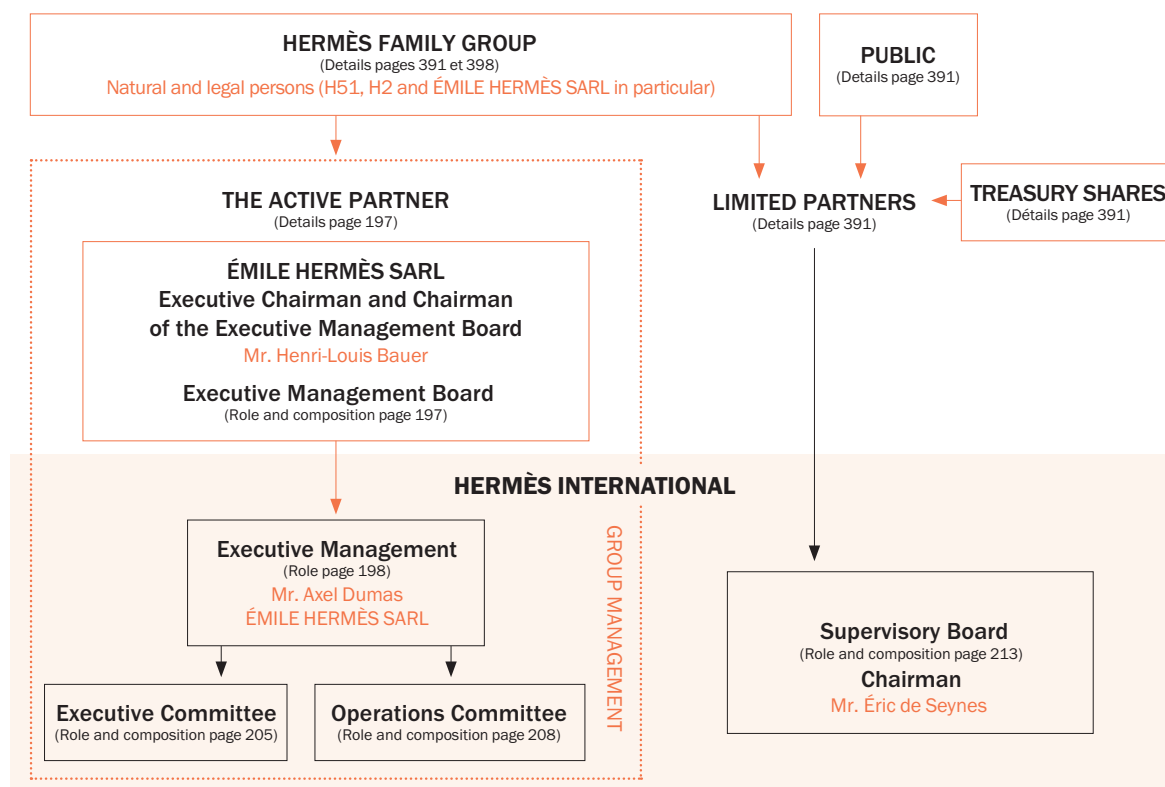
Gender balance policy in governing bodies (Article 7)

The gender balance policy and the resulting objectives are described on page 203. The results obtained in 2020 will be described in the 2020 Universal registration document published in 2021.

Equity ratios (Article 26.2)

It has been decided to adopt the scope referred to in Article L. 227-37-3 of the French Commercial Code (*Code de commerce*) and to establish the ratios on the basis of information about Hermès International. These ratios are presented on page 266 and 267.

3.2 ORGANISATIONAL STRUCTURE OF HERMÈS INTERNATIONAL AS OF 31 DECEMBER 2019



The active partners (Émile Hermès SARL)

In return for unlimited liability, they are involved in the Company's operations and organisation. They have structuring powers, and notably the approval of decisions of the meeting of limited partners (with the exception of those falling within their own powers), and the appointment or dismissal of the Executive Chairmen.

Limited partners (shareholders)

In return for liability limited to the amount of their contributions, their prerogatives are limited.

Their specific powers consist solely of:

- ♦ approving the parent company financial statements;
- ♦ appointing the Statutory Auditors;
- ♦ appointing and dismissing the members of the Supervisory Board.

The law explicitly prohibits them from any interference in the Company's external management, for any reason whatsoever, on pain of being liable under the same conditions as the active partners.

Powers of the Supervisory Board

The Supervisory Board is an offshoot of the meeting of limited partners. The appointment of members of the Board (except for the employees representatives) is solely that body's responsibility.

The role of the Supervisory Board includes the following aspects:

- ♦ an obligation to audit corporate transactions in a similar way to the Statutory Auditors: audit of the parent company financial statements and respect for equality between shareholders;
- ♦ a role in controlling the Company's management.

The law does not confer any other powers on the Supervisory Board. Consequently, it may neither appoint, dismiss nor set the compensation policy of the Executive Chairmen.

3.3 ADMINISTRATIVE AND MANAGEMENT BODIES

3.3.1 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 and of the members of the Operations 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.

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).

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.

In 2019, the CAG-CSR Committee carried out an annual review of this plan. 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.

In early 2020, the CAG-CSR Committee noted that this succession plan remained unaltered.

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 (page 209).

3.3.2 THE GROUP'S MANAGEMENT (ROLE AND COMPOSITION, LIST OF OFFICES AND FUNCTIONS PERFORMED)

3.3.2.1 THE ACTIVE PARTNER AND ITS EXECUTIVE MANAGEMENT BOARD

Role	Composition at 31/12/2019
<p>The Active Partner is jointly and severally liable for all the Company's debts, for an indefinite period of time. The Active Partner has the authority to appoint or revoke the powers of the Executive Chairman, after receiving the reasoned opinion of the Supervisory Board. The Active Partner makes all decisions pertaining to the Group's strategic options, consolidated operating and investment budgets, and recommendations to the General Meeting with respect to the distribution of share premiums, reserves and retained earnings, on the recommendation of the Supervisory Board. It may submit recommendations to the Executive Management on any matter of general interest to the Group. It authorises all Company loans, sureties, endorsements and guarantees, any pledges of collateral and encumbrances on the Company's property, as well as the creation of any company or acquisition of an interest whenever the investment amounts to more than 10% of the Group's consolidated net worth.</p>	<p>THE ACTIVE PARTNER Émile Hermès SARL Active partner, represented by its Executive Management Board:</p>
	 <p>Mr Henri-Louis Bauer Executive Chairman, Chairman and Member of the Executive Management Board</p>
	<p>Mr Frédéric Dumas Vice-Chairman and member of the Executive Management Board</p>
	<p>Ms Pascale Mussard Vice-Chairwoman and member of the Executive Management Board</p>
	<p>Other members of the Executive Management Board :</p> <ul style="list-style-type: none"> ♦ Ms Sandrine Brekke ♦ Ms Capucine Bruet ♦ Ms Alice Charbin ♦ Mr Édouard Guerrand ♦ Mr Laurent E. Momméja ♦ Mr Jean-Baptiste Puech ♦ Mr Guillaume de Seynes

3.3.2.2 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 31/12/2019

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. The term of office of the Executive Chairmen is open-ended.



Mr Axel Dumas

Executive Chairman

Appointed by decision of the Active Partner dated 4 June 2013 (effective 5 June 2013)



Émile Hermès SARL

(represented by Mr Henri-Louis Bauer)

Executive Chairman

Appointed by decision of the Active Partner dated 14 February 2006 (effective 1 April 2006)

- ◆ **Changes among the Executive Management in 2019:** None
- ◆ **Changes among the Executive Management since 31 December 2019:** None

- ◆ **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 23 of the Afep-Medef Code updated in January 2020. The two Executive Chairman comply with this requirement.

3.3.2.3 PROFILE, EXPERIENCE AND EXPERTISE OF THE EXECUTIVE CHAIRMEN

<p>Age 49 years ¹ (3 July 1970)</p> <p>Nationality French</p> <p>Address c/o Hermès International 24, rue du Faubourg-Saint-Honoré 75008 Paris</p> <p>Shares held on 31 December 2019 10,418 in full ownership and registered</p> <p>Date of first appointment 5 June 2013</p> <p>Term of current office Open-ended</p>		<p>AXEL DUMAS Co-Executive Chairman <i>Direct descendant of Mr Émile-Maurice Hermès</i></p> <hr/> <p>Summary of main areas of expertise and experience</p> <p>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.</p> <p>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.</p> <p>He was appointed Executive Chairman by the Active Partner on 4 June 2013 (effective 5 June 2013).</p>
---	---	---

Offices and positions held during 2019 in Hermès Group companies

French companies ▲

- ◆ **Hermès International** ●
Executive Co-Chairman
- ◆ **Comptoir Nouveau de la Parfumerie ***
Permanent Representative of Hermès International, Director
- ◆ **Hermès Sellier Chairman Executive**
Corporate Officer of the following divisions:
 - ◆ **Hermès Jewellery**
(term ended on 01/04/2019)
 - ◆ **Hermès Commercial**
(term ended on 01/04/2019)
 - ◆ **Hermès Femme**
(term ended on 01/04/2019)
 - ◆ **Hermès Homme**
(term ended on 01/04/2019)
 - ◆ **Hermès Maison**
(term ended on 01/04/2019)
 - ◆ **Hermès Leather Goods and Saddlery**
(term ended on 01/04/2019)
 - ◆ **Hermès Services groupe**
(term ended on 01/04/2019)
 - ◆ **Hermès Soie et Textiles**
(term ended on 01/04/2019)
 - ◆ **Hermès Vente aux voyageurs – Travel Retail**
(term ended on 01/04/2019)

Foreign companies ▲

- ◆ **Faubourg Middle East (United Arab Emirates)**
Director
- ◆ **Hermès Asia-Pacific (Hong Kong)**
Director
- ◆ **Hermès China (China)**
Chairman and Director
- ◆ **Hermès China Trading**
- ◆ **Hermès Japon (Japan)**
Director
- ◆ **Hermès Korea (South Korea)**
Chairman and Director
- ◆ **Hermès of Paris (United States of America)**
Chairman and Director
- ◆ **La Montre Hermès (Switzerland)**
Director

(1) The age indicated is determined as of the date of filing of this Universal registration document, i.e. 25 March 2020.

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

Offices and positions held during 2019	Outside Hermès Group companies	French companies	Foreign companies
		<ul style="list-style-type: none"> ♦ Axam 2 Executive Chairman ♦ H51 Director ♦ L'Oréal ● * Director and member of the Audit and Risk Committee (since 18/04/2019) ♦ Maia Executive Chairman ♦ Mathel Executive Chairman 	None
Other offices and positions held during the previous four financial years and ending before 1 January 2019		<p>French companies</p> <ul style="list-style-type: none"> ♦ Ateliers A.S. * Permanent Representative of Hermès International, Director (term ended on 18/10/2018) ♦ CHP3 ▲ Chairman (term ended on 12/10/2018) ♦ Compagnie Hermès de Participations ▲ Permanent Representative of Hermès International, Chairman (term ended on 12/10/2018) ♦ Hermès Sellier ▲ Chairman Executive Corporate Officer of the following division: <ul style="list-style-type: none"> ♦ Hermès Distribution France ▲ (term ended on 30/06/2018) ♦ Maroquinerie de Normandie ▲ Permanent Representative of Hermès International, Chairman (term ended on 07/09/2015) ♦ Motsch-George V ▲ Permanent Representative of Hermès International, Chairman (term ended on 29/06/2015) ♦ SCI Boissy Les Mûriers ▲ Permanent Representative of Hermès International, Executive Chairman (term ended on 31/12/2015) ♦ SCI Boissy Nontron ▲ Permanent Representative of Hermès International, Executive Chairman (term ended on 31/12/2015) ♦ SCI Édouard VII ▲ Permanent Representative of Hermès International, Executive Chairman (term ended on 31/12/2015) ♦ SCI Honossy ▲ Permanent Representative of Hermès International, Executive Chairman (term ended on 31/12/2015) ♦ SCI Les Capucines ▲ Permanent Representative of Hermès International, Chairman (term ended on 29/06/2015) 	<p>Foreign companies</p> <ul style="list-style-type: none"> ♦ Boissy Mexico ▲ (Mexico) Acting Director (term ended on 14/11/2018) ♦ Hermès Benelux Nordics ▲ (Belgium) Director (term ended on 15/04/2015) ♦ Hermès Canada ▲ (Canada) Chairman and Director (term ended on 12/10/2018) ♦ Hermès de Paris (Mexico) ▲ (Mexico) Acting Director (term ended on 14/11/2018) ♦ Hermès do Brasil ▲ (Brazil) Member of the Advisory Board (term ended on 25/09/2017) ♦ Hermès Grèce ▲ (Greece) Director (term ended on 30/11/2018) ♦ Hermès Ibérica ▲ (Spain) Director (term ended on 14/11/2018) ♦ Hermès Immobilier Genève ▲ (Switzerland) Director (term ended on 10/05/2016) ♦ Hermès India Retail and Distributors ▲ (India) Director (term ended on 07/09/2018) ♦ Hermès Latin America ▲ (United States of America) Director (term ended on 21/05/2015) ♦ Hermès Monte-Carlo ▲ (Principality of Monaco) Permanent Representative of Hermès Sellier, Director (term ended on 28/04/2015) Permanent Representative of Hermès International, Vice-Chairman, Permanent Representative of Hermès International, Director (term ended on 12/10/2018) ♦ Hermès Retail (Malaysia) ▲ (Malaysia) Chairman and Director (term ended on 12/10/2018) ♦ Herlee ▲ (Hong Kong) Chairman and Director (term ended on 30/06/2017)

▲ 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 2019

French companies

- ◆ **Castille Investissement ▲**
Permanent Representative of Hermès International, Chairman
(term ended on 28/06/2016)
- ◆ **Créations Métaphores ▲**
Permanent Representative of Hermès International, member of the Management Board (term ended on 23/06/2015)
- ◆ **Grafton Immobilier ▲**
Chairman (term ended on 29/06/2015)
- ◆ **Tannerie de Vivoin ▲**
Permanent Representative of Hermès International, Chairman
(term ended on 30/06/2015)
- ◆ **Hermès Horizons ▲**
Chairman (term ended on 31/05/2016)
- ◆ **Immobilière du 5, rue de Furstenberg**
Permanent Representative of Hermès International, Chairman
(term ended on 29/06/2015)
- ◆ **Isamyol 28 ▲**
Permanent Representative of Hermès International, Chairman
(term ended on 29/06/2016)
- ◆ **Isamyol 30 ▲**
Permanent Representative of Hermès International, Chairman
(term ended on 29/06/2016)
- ◆ **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)
- ◆ **SCI Auger-Hoche ▲**
Permanent Representative of Hermès International, Executive Chairman
(term ended on 21/12/2015)

Foreign companies

- ◆ **Herlee ▲ (Australia)**
Chairman and Director
(term ended on 30/06/2017)
- ◆ **Hermès Australia ▲ (Australia)**
Chairman of the Board of Directors and Director
(term ended on 05/02/2015)
- ◆ **Hermès GB ▲ (United Kingdom)**
Chairman and Director
(term ended on 15/04/2015)
- ◆ **Hermès Italie ▲ (Italy)**
Chairman of the Board of Directors and Director
term ended on 20/03/2015)

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

Address
c/o Hermès International
24, rue du Faubourg-Saint-Honoré
75008 Paris
Shares held on 31 December 2019
33 236
in full ownership and registered

Date of first appointment

From 27 December 1990 to
31 December 1994
and again since 1 April 2006

Term of current office

Open-ended

**ÉMILE HERMÈS SARL**

Co-Executive Chairman

Represented by its Executive Chairman, Mr Henri-Louis Bauer

Summary of main areas of expertise and experience

Émile Hermès SARL is a société à responsabilité limitée à capital variable (private limited company with variable capital) whose partners are the direct descendants of Émile-Maurice Hermès and his wife. Émile Hermès SARL has an Executive Management Board chaired by 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 page 387 and seq.

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

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

Main activities outside the Company

None

Émile Hermès SARL**Henri-Louis Bauer**

Direct descendant of
Mr Émile-Maurice Hermès

In Hermès Group companies**French companies ▲**

◆ **Hermès International ●**
Active Partner and Executive Co-Chairman

French companies ▲

None

Offices and positions held during 2019**Foreign companies ▲**

None

Foreign companies ▲

None

Outside Hermès Group companies**French companies**

Néant

French companies

◆ **Émile Hermès SARL**
Executive Chairman and Chairman of the Executive Management Board
◆ **Aucleris 2**
Executive Chairman
◆ **H2**
Director
◆ **H51**
Administrateur
◆ **Sabarots**
Director
◆ **Samain B2**
Executive Chairman
◆ **SIFAH**
Director

Foreign companies

None

Foreign companies

None

Other offices and positions held during the previous four financial years and ending before 1 January 2019**French companies**

None

French companies

◆ **Aucleris**
Manager (term ended on 27/12/2015)

Foreign companies

None

Foreign companies

None

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

3.3.2.4 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

Gender balance policy in governing bodies

In accordance with the provisions of Article L. 225-37-4, 6° of the French Commercial Code (*Code de commerce*), as amended by law 2018-771 of 5 September 2018 “for the freedom to choose one’s professional future”, we describe how the Company seeks balanced representation of men and women on the committee established, where relevant, by the 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.

Since 2018, the Supervisory Board has been tasked with ensuring 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.

Pursuant to Article 7 of the Afep-Medef Code, updated in January 2020, Boards are recommended to set gender balance objectives within governing bodies.

The HCGE implementation guide published in March 2020 stipulates that in *sociétés en commandite par actions* (partnerships limited by shares):

- ♦ it is the responsibility of the Executive Management to set gender balance objectives and the time frame for attaining them, as well as to determine how these objectives and the action plan are implemented;
- ♦ the Supervisory Board ensures compliance with and monitoring of the this recommendation. It is informed annually by the Executive Management the results obtained so that they can be included in the corporate governance report.

Companies are recommended to do their very best to set and publish gender balance objectives this year.

The Executive Management presented these company gender balance objectives to the Supervisory Board on 25 February 2020.

The scope of the governing bodies selected includes the committees established by the Executive Management several years ago to regularly assist it in exercising its general duties, namely:

- ♦ Executive Committee (role and composition page 205);
- ♦ Operations Committee (role and composition page 208).

Executive Management has set itself the goal of securing gender balance in governing bodies in the long term, so that each gender represents at least 40% of the members. For several years now, the Company has been encouraging female representation among Senior Executives, which should help achieve this goal.

The Supervisory Board noted the gender mix objectives set by the Executive Management as well as its implementation methods (action plan and timeframe within which these actions will be carried out).

The outcomes obtained in financial year 2020 will be described in the corporate governance report to be published in the 2020 Universal registration document in 2021.

Gender balance in governing bodies

The table below illustrates gender balance on the governance bodies, on the Supervisory Board and in the Senior Executives category:

As at 31 december	2019		2018	
Governing bodies (Executive Committee and Operations Committee)				
Proportion of women	13/24	54.2%	10/21	47.6%
Proportion of men	11/24	45.8%	11/21	52.4%
Overall female representation				
Supervisory Board (Excluding the employee representative on the Supervisory Board)		50.0%		50.0%
Senior executives ¹		45.8%		44.0%

(1) This category comprises the 83 positions with the highest levels of responsibility according to the classification used by the Group.

Gender equality index

Pursuant to law 2018-771 of 5 September 2018 “for the freedom to choose one’s professional future”, on 5 March 2020 Hermès International published its 2019 gender equality index, with a score of 99/100.

This index measures the gender pay gap within a single company. It takes into account all components of a compensation package and must be calculated each year, thereby serving to identify any points of progress:

- ♦ the gender pay gap;
- ♦ the gap in the breakdown of individual pay increases;
- ♦ the gap in the breakdown of promotions (only for companies with more than 250 employees);

- ♦ the number of employees receiving a pay increase upon their return from maternity leave;
- ♦ parity among the 10 highest packages.

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 “Alterego” training programme which focuses on integration and diversity management. This training is attended by all Management Committees and the Group's local managers. It takes the form of a one-day programme, which alternates between a theory-based and more hands-on approach, for preventing and identifying all forms of discrimination (direct, indirect or even involuntary) and reaffirming the Group's zero tolerance with regard to this type of practice.

The Group has also made commitments to professional integration and retaining people with disabilities in employment (see pages 95 and seq).

3.3.2.5 GOVERNING BODIES

Executive Committee

Role

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

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

The Executive Committee meets every two weeks.

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

Composition at 31/12/2019

9 MEMBERS	25% WOMEN (EXCLUDING EXECUTIVE CHAIRMAN)	7 years AVERAGE SENIORITY ON THE EXECUTIVE COMMITTEE
19 years AVERAGE SENIORITY IN THE GROUP	53 AVERAGE AGE ⁽¹⁾	



The members of the Executive Committee in the Hermès store on Avenue George-V, Paris. From left to right: Éric du Halgouët, Catherine Fulconis, Wilfried Guerrand, Axel Dumas, Olivier Fournier, Charlotte David, Guillaume de Seynes, Pierre-Alexis Dumas and Florian Craen.

Mr Axel Dumas

Executive Chairman

- ◆ **Mr Florian Craen**
Executive Vice-President Sales & Distribution
- ◆ **Ms Charlotte David**
Executive Vice-President Communication
- ◆ **Mr Pierre-Alexis Dumas**
Artistic Executive Vice-President
- ◆ **Mr Olivier Fournier**
Executive Vice-President of Governance and Organisational Development
- ◆ **Ms Catherine Fulconis**
Executive Vice-President Leather Goods-Saddlery (since 1 April 2019)
- ◆ **Mr Wilfried Guerrand**
Executive Vice-President Métiers, Information Systems and Data
- ◆ **Mr Éric du Halgouët**
Executive Vice-President Finance
- ◆ **Mr Guillaume de Seynes**
Executive Vice-President Manufacturing Division & Equity Investments

Changes in the Executive Committee in 2019

A reorganisation took place on 1 April 2019:

- ◆ Ms Catherine Fulconis, Executive Vice-President Leather Goods-Saddlery (which also includes the Hermès Horizons and Equestrian métiers) and Petit h métiers joined the Executive Committee;
- ◆ Mr Wilfried Guerrand was appointed Executive Vice-President of the Métiers (Hermès Femme, Hermès Homme, Hermès Bijouterie, Hermès Soie et Textiles, and Hermès Maison), Information Systems and Data;
- ◆ 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 & Distribution.

Changes in the Executive Committee after 31 December 2019

None

(1) Average calculated on the basis of the age of the members of the Executive Committee, determined as of the date of filing of this Universal Registration Document, i.e. 25 March 2020.

Profile, experience and expertise of the members of the Executive Committee

The role and a brief presentation of the Executive Committee is provided below.

Name Personal details: Age Date of birth Nationality	Date appointed to the Executive Committee	Education	Positions held in the Hermès Group (date of appointment)	Other positions
♦ Axel Dumas 49 years ¹ 03/07/1970 French	02/05/2011	See page 199		
♦ Florian Craen 49 years ¹ 31/10/1970 French	01/09/2013	École Supérieure du Commerce Extérieur de Paris (1992) Harvard Business School (AMP 184)	Executive Vice-President Sales & Distribution of Hermès International (since 1 September 2013) Executive Vice-President Hermès North Asia (2009) Executive Vice-President Hermès Great Britain (2006) International Director of Hermès Travel Retail (2001)	
♦ Charlotte David 44 years ¹ 28/03/1975 French	12/10/2015	ESSEC (1997)	Executive Vice-President Communication (since 12/10/2015)	
♦ Pierre-Alexis Dumas 53 years ¹ 04/06/1966 French	01/10/2005	Graduate in visual arts from Brown University (1991)	Artistic Executive Vice-President (since 01/10/2005)	Chairman of the Fondation d'entreprise d'Hermès (from 2008 to 2016) Chairman of Arts Décoratifs (since 1 January 2016)
♦ Olivier Fournier 58 years ¹ 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)
♦ Catherine Fulconis 58 years ¹ 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 <i>métiers</i>) and petit h <i>métiers</i> (since 01/04/19) 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)

(1) The age indicated is determined on the date this Universal registration document is filed, i.e. 25 March 2020.

Name Personal details:				
Age	Date appointed to the Executive Committee	Education	Positions held in the Hermès Group (date of appointment)	Other positions
Date of birth				
Nationality				
♦ Wilfried Guerrand 49 years ¹ 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 Femme, Hermès Homme, Hermès Bijouterie, Hermès Soie et Textiles and Hermès Maison), Information Systems and Data (since 01/04/2019) Executive Vice-President of Digital Projects and E-commerce of Hermès International (2014) Executive Vice-President of Hermès Femme (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)	
♦ Éric du Halgouët 57 years ¹ 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) Chief Financial Officer (2007) Director of consolidation and financial control (2006)	
♦ Guillaume de Seynes 62 years ¹ 14/10/1957 French	01/01/2005	Graduate in law and political science Paris (1978) and an ESSEC graduate (1982)	Executive Vice-President, Manufacturing & Equity Investments of Hermès International (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 <i>Chambre syndicale du prêt-à-porter des couturiers et des créateurs de mode</i> (2008-2012) Chairman of the Strategic Committee, <i>Mode et Luxe</i> sector (since 2018)

(1) The age indicated is determined on the date this Universal registration document is filed, i.e. 25 March 2020.

Operations Committee

Role	Composition at 31/12/2019		
<p>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.</p> <p>Its duties are:</p> <ul style="list-style-type: none"> ♦ 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 take certain decisions. <p>The Operations Committee meets for a full day three times a year.</p>	25 MEMBERS	69% WOMEN (EXCLUDING THE EXECUTIVE CHAIRMAN AND THE EXECUTIVE COMMITTEE)	13% OF FOREIGN NATIONALITIES
<p>Mr Axel Dumas Executive Chairman</p> <p>Executive Committee members (see page 205)</p>			
Other members			
Senior Executives of the métiers			
♦ Ms Agnès de Villers Perfumes	♦ Ms Véronique Nichanian Men's Ready-To-Wear	♦ Ms Élodie Potdevin Fashion Accessories Métier and IoT (since 1 April 2019)	
♦ Mr Laurent Dordet Watches	♦ Ms Hinde Pagani Digital Sales and Service (since 1 April 2019)	♦ Ms Ambre Pulcini Women's Ready-to-Wear and Shoes (since 1 April 2019)	
♦ Ms Antoinette Louis Silk and Textiles	♦ Ms Anne-Sarah Panhard Home	♦ Ms Laurence Reulet Jewellery	
Senior Executives of the Geographical areas			
♦ Mr Masao Ariga ⁽¹⁾ Japan	♦ Mr Eric Festy South Asia	♦ Ms Juliette Streichenberger Europe	
♦ Mr Robert Chavez ⁽¹⁾ United States and Latin America	♦ Mr Luc Hennard China	♦ Ms Ségolène Verdillon Travel Retail	
♦ Ms Hélène Dubrule France			
Changes in the Operations Committee in financial year 2019			
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: Managing Director - Women's Ready-to-Wear and Shoes;			
♦ Ms Elodie Potdevin: Executive Vice-President - Fashion Accessories Métier and IoT ("Internet of Things").			
Changes in the Operations Committee after 31 December 2019			
None			

(1) Members of foreign nationalities.

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

3.4.1 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).

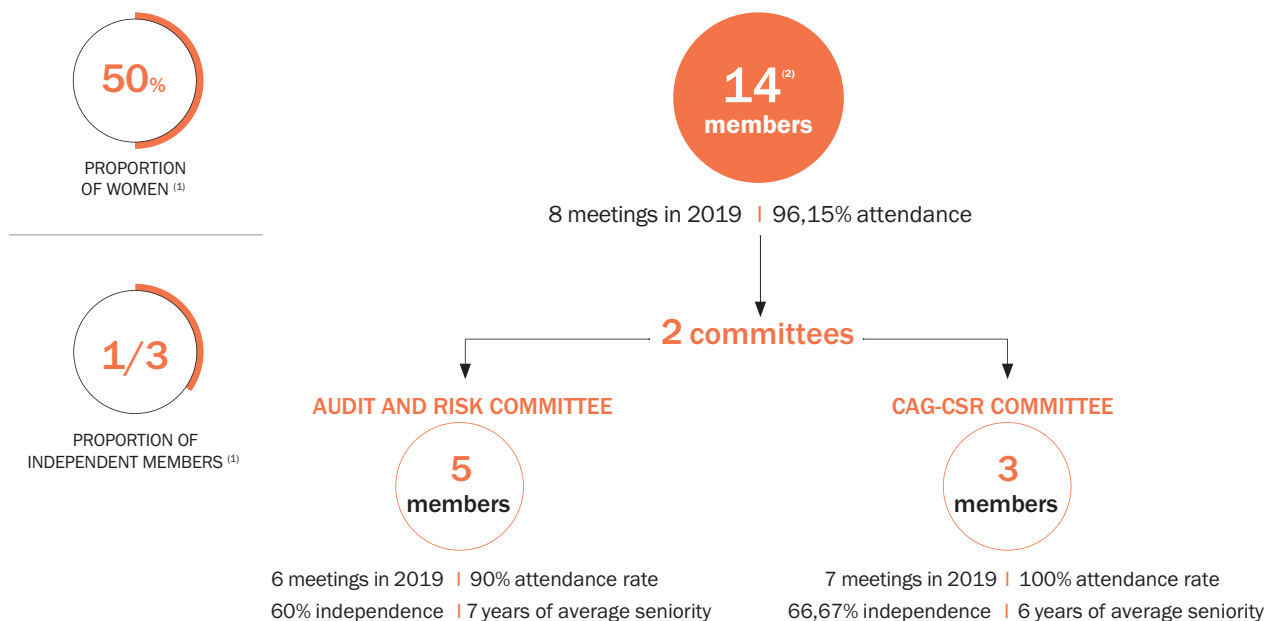
In early 2019 the CAG-CSR Committee acknowledged the written memorandum drafted and signed by Mr Éric de Seynes and confirmed that this succession plan, which remains unchanged, for the Chairman of the Supervisory Board is deemed of good quality and suitable for the needs of the Company.

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.

In early 2020, the CAG-CSR Committee noted that this succession plan remained unaltered.

3.4.2 SUMMARY PRESENTATION OF THE MEMBERS OF THE SUPERVISORY BOARD AS OF 31 DECEMBER 2019

SUPERVISORY BOARD



(1) Excluding the Supervisory Board member representing employees.

(2) Since 12 November 2019, when the Group Works Council noted the expiry of the term of office of Mr Frédéric Afriat as Supervisory Board member representing employees, and appointed Ms Pureza Cardoso and Mr Rémy Kroll as new Supervisory Board members representing employees for terms of three years.

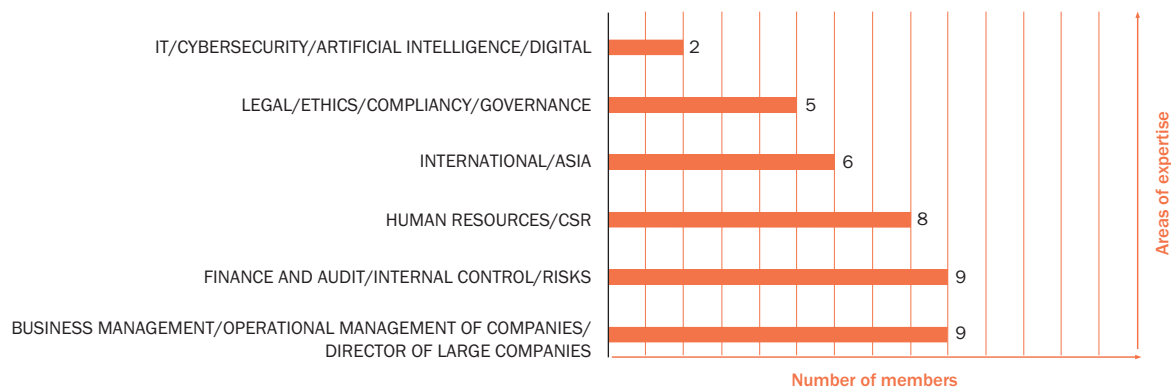
MAIN AREAS OF EXPERTISE AND EXPERIENCE OF BOARD MEMBERS

Each member of the Supervisory Board is asked to make a declaration listing the areas in which he or she has particular expertise. This declaration is made upon their appointment and again each year, when the Universal registration document is prepared.

The diagram below shows the number of Board members for each area of expertise.

The six areas given reflect the Hermès Group's major operational challenges and the main issues that the Supervisory Board and its committees are called upon to oversee in the course of their duties.

Main areas of expertise and experience of board members ⁽¹⁾ ⁽²⁾



(1) Excluding the employee representatives on the Supervisory Board.

(2) Based on annual declarations by Board members.

SITTING MEMBERS AS AT 31 DECEMBER 2019

Personal details	Number of shares (direct holding)	Experience Number of offices in listed companies other than the Company	Position on the Board				Membership of committees of the Board	
Gender, nationality, age ¹ , date of birth			Independence	Date of first appointment	Date term ends	Length of service	Audit and Risk Committee	CAG-CSR Committee
Éric de Seynes (M) (Chairman) Nationality: French 59 years - 09/06/1960	203			07/06/2010 03/03/2011 (Chairman)	2020 GM	9 years		
Monique Cohen (F) (Vice-Chairwoman) Nationality: French 64 years - 28/01/1956	250	2 BNP Paribas Safran	✓	03/06/2014	2020 GM	6 years	✓ (Chairwoman)	
Dominique Senequier (F) (Vice-Chairwoman) Nationality: French 66 years - 21/08/1953	200		✓	04/06/2013	2022 GM	7 years		✓ (Chairwoman)
Dorothee Altmayer (F) Nationality: French 59 years - 01/03/1961	200			06/06/2017	2020 GM	3 years		
Charles-Éric Bauer (M) Nationality: French 56 years - 09/01/1964	69,148			03/06/2008	2022 GM	12 years	✓	
Estelle Brachlianoff (F) Nationality: French 47 years - 26/07/1972	100		✓	04/06/2019	2022 GM	6 months	✓	✓
Pureza Cardoso (F) (Employee representative) Nationality: French 49 years - 04/03/1971	60			12/11/2019	12/11/2022	-		
Matthieu Dumas (M) Nationality: French 47 years - 06/12/1972	213			03/06/2008	2021 GM	12 years		✓
Blaise Guerrand (M) Nationality: French 36 years - 04/06/1983	200			29/05/2012	2021 GM	8 years		
Julie Guerrand (F) Nationality: French 45 years - 26/02/1975	5,825	1 Idi		02/06/2005	2022 GM	15 years		
Olympia Guerrand (F) Nationality: Franco-Portuguese 42 years - 07/10/1977	306,312			06/06/2017	2021 GM	3 years		
Rémy Kroll (M) (Employee representative) Nationality: French 47 years - 04/05/1972	50			12/11/2019	12/11/2022	-		
Renaud Momméja (M) Nationality: French 58 years - 20/03/1962	150,012			02/06/2005	2020 GM	15 years	✓	
Alexandre Viros (M) Nationality: Franco-American 42 years - 08/01/1978	100		✓	04/06/2019	2021 GM	6 months	✓	

(1) The age indicated is determined as of the date of filing of this Universal registration document, i.e. 25 March 2020.

MEMBERS PROPOSED FOR APPOINTMENT AT THE GENERAL MEETING OF 24 APRIL 2020

None

3.4.3 COMPOSITION OF THE SUPERVISORY BOARD

3.4.3.1 APPLICABLE PRINCIPLES

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

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.

One member of the Supervisory Board representing the Group's employees (or two if the Supervisory Board has more than eight members) is designated by the Group Works Council pursuant to paragraph 3 of Article L. 225-79-2 II of the French Commercial Code (*Code de commerce*). The Group Committee appoints a man and a woman when two employee representatives are appointed.

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).

3.4.3.2 COMPOSITION OF THE SUPERVISORY BOARD AT 31 DECEMBER 2019

The Company is governed by a Supervisory Board consisting of 14 members, 12 of whom are selected from among shareholders who are neither an Active Partner nor the legal representative of an Active Partner nor an Executive Chairman. As the provisions of Article L. 225-79-2 of the French Commercial Code (*Code de commerce*) are applicable to the Company, two employee representatives have been appointed by the Group Works Council to the Supervisory Board.

Mr Frédéric Afriat's term of office as employee representative on the Supervisory Board expired on 8 November 2019. At this time, the Group Works Council proposed appointing two new representatives without waiting for the amendment to Article 18.6 of the Articles of Association made necessary by law 2019-486 of 22 May 2019 on the growth and transformation of companies (known as the "Pacte" law), which is to be submitted to the General Meeting of 24 April 2020. This appointment was made at the Group Works Council meeting of 12 November 2019.

All the Supervisory Board members are French except Ms Olympia Guerrand, who is Franco-Portuguese, and Mr Alexandre Viros, who is Franco-American.

Ms Nathalie Besombes, Corporate Law and Stock exchange regulations Director and Securities Compliance Officer, is the Supervisory Board Secretary.

Composition of the Supervisory Board at 31 December 2019

Role

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

The Supervisory Board submits to the Active Partner its reasoned opinion:

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

The Supervisory Board:

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

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

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

Every year the Supervisory Board presents to the Annual Ordinary General Meeting of shareholders a report (see page 437) in which it comments on the Company's management and draws attention to any inconsistencies or inaccuracies identified in the financial statements for the financial year.

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

(1) Employee representative.

Nature of any existing family ties between the members of the Supervisory Board and the Executive Chairmen

Pursuant to Commission Delegated Regulation (EU) 2019/980 of 14 March 2019 (Annex I, Article 12.1), we hereby report to you the family ties existing between the members of the Supervisory Board and the Executive Chairmen.

Ms Julie Guerrand, Mr Blaise Guerrand, Mr Axel Dumas, Mr Matthieu Dumas, Mr Henri-Louis Bauer, Mr Charles-Éric Bauer, Ms Dorothée Altmayer, Ms Olympia Guerrand, Mr Renaud Momméja and Mr Éric de Seynes are the direct descendants of Mr Émile-Maurice Hermès.

Changes in the Supervisory Board during financial year 2019

The General Meeting of 4 June 2019:

- ♦ reappointed Ms Julie Guerrand, Ms Dominique Senequier and Mr Charles-Éric Bauer 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 financial year ending 31 December 2021;

Composition at 31/12/2019

SUPERVISORY BOARD



Mr Éric de Seynes

Chairman and member of the Supervisory Board

Ms Monique Cohen

Vice-Chairwoman and member of the Supervisory Board

Ms Dominique Senequier

Vice-Chairwoman and member of the Supervisory Board

Other members:

- | | |
|------------------------------------|--------------------------------|
| ♦ Ms Dorothée Altmayer | ♦ Mr Blaise Guerrand |
| ♦ Mr Charles-Éric Bauer | ♦ Ms Julie Guerrand |
| ♦ Ms Estelle Brachlianoff | ♦ Ms Olympia Guerrand |
| ♦ Ms Pureza Cardoso ⁽¹⁾ | ♦ Mr Rémy Kroll ⁽¹⁾ |
| ♦ Mr Matthieu Dumas | ♦ Mr Renaud Momméja |
| | ♦ Mr Alexandre Viros |

AUDIT AND RISK COMMITTEE

Ms Monique Cohen

Chairwoman

Other members:

- ♦ Mr Charles-Éric Bauer
- ♦ Ms Estelle Brachlianoff
- ♦ Mr Renaud Momméja
- ♦ Mr Alexandre Viros

COMITÉ RNG - RSE

Ms Dominique Senequier

Chairwoman

Other members:

- ♦ Ms Estelle Brachlianoff
- ♦ Mr Matthieu Dumas

- ♦ appointed Ms Estelle Brachlianoff (replacing Ms Sharon MacBeath, who resigned on 20 March 2019) and Mr Alexandre Viros (replacing Mr Robert Peugeot, whose term was due to expire) as new members of the Supervisory Board. In accordance with the principle of periodically replacing one-third of the Supervisory Board set out in Article 18.2 of the Articles of Association, their terms of office are three and two years respectively.

At its meeting of 4 June 2019, the Supervisory Board modified the composition of the Audit and Risk Committee and the CAG-CSR Committee (see page 249).

At its meeting of 12 November 2019, the Group Works Council:

- ♦ noted the end of the term of office of Mr Frédéric Afriat as employee representative, which was due to expire;
- ♦ appointed Ms Pureza Cardoso and Mr Rémy Kroll as new employee representatives on the Supervisory Board for terms of three years.

SUMMARY OF CHANGES IN THE COMPOSITION OF THE SUPERVISORY BOARD OVER THE FINANCIAL YEAR

	Departures	Appointments	Renewals
Supervisory Board	Ms Sharon MacBeath (20/03/2019) Mr Robert Peugeot (04/06/2019) Mr Frédéric Afriat, employee representative (12/11/2019)	Ms Estelle Brachlianoff (04/06/2019) Mr Alexandre Viros (04/06/2019) Ms Pureza Cardoso, employee representative (12/11/2019) Mr Rémy Kroll, employee representative (12/11/2019)	Ms Julie Guerrand (04/06/2019) Ms Dominique Senequier (04/06/2019) Mr Charles-Éric Bauer (04/06/2019)
Changes in terms of diversification (representation of women, nationality or experience) or change with respect to corporate governance	The appointment of two new members to the Board served to: <ul style="list-style-type: none"> ◆ restore the proportion of independent members on the Board (1/3), the Audit and Risk Committee (60%) and the CAG-CSR Committee (2/3); ◆ maintain the proportion of women (50%); ◆ maintain certain skills and bring new ones to the Board. The appointment by the Group Works Council of two employee representatives (one woman and one man) to the Supervisory Board allowed the Group to apply the provisions of the Pacte law without waiting for the amendment of the Articles of Association.		

Changes in the Supervisory Board since 31 December 2019

None

3.4.3.3 INFORMATION ON SITTING MEMBERS OF THE SUPERVISORY BOARD

<p>Age 59 years ¹ (9 June 1960)</p> <p>Nationality French</p> <p>Address c/o Hermès International 24, rue du Faubourg-Saint-Honoré 75008 Paris</p> <p>Shares held on 31 December 2019 203 wholly-owned and registered —</p> <p>Date of first appointment Supervisory Board 7 June 2010 (he previously held this office from 2005 until 2008) Chairman of the Supervisory Board 3 March 2011 Éric de Seynes was also: Member of the Audit and Risk Committee from 2005 to 2008 and Member of the Émile Hermès SARL Executive Management Board from 2008 to 2010</p> <p>Term of current office 2020 GM</p>		<p>ÉRIC DE SEYNES Member of the Hermès International Supervisory Board (Chairman) <i>Direct descendant of Mr Émile-Maurice Hermès</i></p>
<p>Summary of main areas of expertise and experience</p> <p>Mr Éric de Seynes is a graduate of the École Supérieure Libre des Sciences Commerciales Appliquées (ESLSCA) with a specialisation in marketing.</p> <p>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.</p> <p>He has been Chairman and 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.</p> <p>His appointment as Senior Executive Officer of Yamaha Motor Co, Ltd (Japan) will be submitted to that company's General Meeting scheduled for the end of March 2020.</p> <p>He brings to the Board his in-depth knowledge of the history and culture of Hermès, as well as his leadership skills. His professional background, his extensive managerial experience, his skills as an operational and functional manager of an industrial group with an international dimension, and the commitment with which he carries out his duties and chairs the Board enable him to make an effective contribution to the quality of the discussions and work of the Board in all of its areas of responsibility.</p>		
<p>Main activities outside the Company Chairman and Chief Executive Officer of Yamaha Motor Europe</p>		
<p>Offices and positions held during 2019</p>	<p>In Hermès Group companies</p>	<p>French companies ▲</p> <ul style="list-style-type: none"> ◆ Hermès International ● Chairman and member of the Supervisory Board ◆ Hermès Sellier Member of the Management Board
	<p>Outside Hermès Group companies</p>	<p>Foreign companies ▲</p> <p>None</p>
		<p>French companies</p> <ul style="list-style-type: none"> ◆ CAPI Co-Executive Chairman ◆ Groupe option SAS Chairman ◆ H51 Director ◆ MBK SA Director ◆ Sféric SAS Chairman ◆ Yamaha Motor France Finance SAS Director (since 01/12/2018)
		<p>Foreign companies</p> <ul style="list-style-type: none"> ◆ Yamaha Motor Europe NV (Netherlands) Chairman and Chief Executive Officer (since 01/12/2018) ◆ Inha Works Limited (Finland) Director ◆ Motori Minarelli (Italy) Director ◆ Yamaha Motor Germany gmbh (Germany) Chairman ◆ YMRE S.p.A (Italy) Director

(1) The age indicated is determined as of the date of filing of this Universal registration document, i.e. 25 March 2020.

▲ 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 2019**French companies**

- ◆ **Brame et Lorenceau**
Director (term ended on 31/12/2015)
- ◆ **C.S.I.A.M**
Co-Chairman (term ended on 16/11/2017)
- ◆ **Les Producteurs SA**
Director (until January 2019)
- ◆ **Naturéo Finance SAS**
Member of the Management Board (term ended on 31/12/2015)
- ◆ **Yamaha Motor France**
Director, and Chairman and Chief Executive Officer (term ended on 01/02/2015)

Foreign companies

- ◆ **Yamaha Motor Turkey** (Turkey)
Director (term ended on 31/12/2015)

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

Age
64 years ¹ (28 January 1956)
Nationality
French
Address
c/o Hermès International 24, rue du Faubourg-Saint-Honoré 75008 Paris
Shares held on 31 December 2019
250 in full ownership and registered —
Date of first appointment
Supervisory Board 3 June 2014
Audit and Risk Committee 3 June 2014
Term of current office 2020 GM



MONIQUE COHEN

**Independent member of the Hermès International Supervisory Board
(Vice-Chairwoman)
Member of the Audit and Risk Committee (Chairwoman)**

Summary of main areas of expertise and experience

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

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

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 (AMF).

Her professional background, her experience as a manager and director of large international groups, her knowledge of financial and banking markets, her expertise in managing equity investments and her financial vision of shareholders, and the commitment with which she carries out her duties and chairs the Audit and Risk Committee enable her to make an effective contribution to the quality of the discussions and work of the Board in all of its areas of responsibility.

Main activities outside the Company

Partner at Apax Partners in charge of investments in business services, financial services and healthcare.

Offices and positions held during financial year 2019	In Hermès Group companies	French companies ▲ ◆ Hermès International ● Vice-Chairwoman and member of the Supervisory Board, Chairwoman of the Audit and Risk Committee	Foreign companies ▲ None
	Outside Hermès Group companies	French companies ◆ Apax Partners MidMarket Director ◆ BNP Paribas ● * Director Member of the Internal Control, Risk and Compliance Committee Chairwoman of the Governance, Ethics, Appointments and CSR Committee ◆ Safran ● * Lead independent Director and Chairwoman of the Appointments and Compensation Committee ◆ SC Fabadari Partner Fidès Participations Member of the Supervisory Board	Foreign companies ◆ Proxima Investissement (Luxembourg) Chairwoman of the Board of Directors and Director

(1) The age indicated is determined as of the date of filing of this Universal registration document, i.e. 25 March 2020.

▲ 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 2019****French companies**◆ **Altamir Gérance**Deputy Chief Executive Officer
(term ended on 04/05/2015)◆ **Global Project SAS**Member of the Supervisory Board
(term ended on 15/09/2017)◆ **JC Decaux** ●Member of the Supervisory Board
(term ended on 11/05/2017)◆ **Trocadéro Participations**Member of the Supervisory Board
(until 26/07/2016)◆ **Trocadéro Participations II**

Chairwoman (term ended on 26/07/2016)

Foreign companies

None

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

Age
66 years ¹ (21 August 1953)
Nationality
French
Address
c/o Hermès International 24, rue du Faubourg-Saint-Honoré 75008 Paris
Shares held on 31 December 2019
200 in full ownership and registered —
Date of first appointment Supervisory Board
4 June 2013
Audit and Risk Committee
4 June 2013
Term of current office
2022 GM



DOMINIQUE SENEQUIER

**Independent member of the Hermès International Supervisory Board
(Vice-Chairwoman)**
Member of the CAG-CSR Committee (Chairwoman)

Summary of main areas of expertise and experience

Ms Dominique Senequier is a graduate of 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.

She brings to the Board her expertise in the field of finance and private equity, as well as her understanding of global macroeconomic and geopolitical issues. Her grasp of corporate governance, her international dimension acquired in China, the United States, the Middle East and emerging countries, and the commitment with which she carries out her duties and directs the work of the CAG-CSR Committee enable her to make an effective contribution to the quality of the discussions and work of the Board in all of its areas of responsibility.

Main activities outside the Company

Chairwoman of the Ardian Group.

Offices and positions held during financial year 2019	In Hermès Group companies	French companies ▲ ◆ Hermès International ● Vice-Chairwoman and member of the Supervisory Board, Chairwoman of the CAG-CSR Committee	Foreign companies ▲ None
	Outside Hermès Group companies	French companies ◆ Ardian Holding Permanent Representative of Sensus SAS, Chairwoman ◆ SCI 30 rue Jacob SCI Chairwoman ◆ Sensus SAS Chairwoman ◆ Théâtre des Champs-Élysées SA * Director	Foreign companies ◆ Ardian Beijing Consulting Limited Company LLC (China) Member of the Board of Directors ◆ Ardian Investment Singapore Pte Ltd (Singapore) Member of the Board of Directors ◆ Ardian Investment Switzerland AG (Switzerland) Chairwoman of the Board of Directors ◆ Ardian Investment Switzerland Holding AG (Switzerland) Chairwoman of the Board of Directors ◆ Ardian Investment UK Ltd (United Kingdom) Member of the Board of Directors ◆ Ardian US LLC (USA) Chairwoman of the Supervisory Board, member of the Investment Committees ASF III-2, AESF III-2, AESF IV and ANAF II ◆ Escouff Properties Corp. (USA) Chairwoman ◆ Seneq SA (Belgium) Director

(1) The age indicated is determined as of the date of filing of this Universal Registration Document, i.e. 25 March 2020.

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

**Offices and positions held during
the financial year 2019****French companies**

- ◆ **Ydra SAS**
Chairwoman (term ended on 22/10/2018)

Foreign companies

- ◆ **Ardian Germany GmbH** (Germany)
Chairwoman of the Supervisory Board
(term ended on 07/07/2015)
- ◆ **Ardian Investment UK Ltd** (United Kingdom)
Member of the ASF V, AESF V and ASF VI
Committees (until 13/11/2018)

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

Age
59 years ¹ (1 March 1961)
Nationality
French
Address
c/o Hermès International 24, rue du Faubourg-Saint-Honoré 75008 Paris
Shares held on 31 December 2019
200
in full ownership and registered
—
Date of first appointment
Supervisory Board
6 June 2017
Term of current office
2020 GM



DOROTHÉE ALTMAYER

Member of the Hermès International Supervisory Board

Direct descendant of Mr Émile-Maurice Hermès

Summary of main areas of expertise and experience

Ms Dorothee Altmayer holds a degree in clinical psychology from 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).

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

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

Since 2007 she has run her own private practice, specialising in parent-child interviews, psychological evaluations and individual art therapy sessions for children.

She brings to the Board her in-depth knowledge of the history and culture of Hermès. Her professional background, her skills in human resources, and the commitment with which she carries out her duties enable her to make an effective contribution to the quality of the discussions and work of the Board in all of its areas of responsibility.

Main activities outside the Company

Clinical psychology specialising in parent-child interviews, psychological assessments and individual art therapy sessions for children

Offices and positions held during financial year 2019	In Hermès Group companies	French companies ▲ ◆ Hermès International ● Member of the Supervisory Board ◆ Comptoir Nouveau de la Parfumerie * Director	Foreign companies ▲ None
	Outside Hermès Group companies	French companies ◆ Alvila Executive Chairwoman ◆ Alvila Immobilier Executive Chairwoman ◆ H2 Director	Foreign companies None
Other offices and positions held during the previous four financial years and ending before 1 January 2019		French companies ◆ Hermès Sellier ▲ Member of the Management Board (term ended on 12/09/2017)	Foreign companies None

(1) The age indicated is determined as of the date of filing of this Universal registration document, i.e. 25 March 2020.

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

<div><div><div>Age</div><div>56 years ¹ (9 January 1964)</div></div><div><div>Nationality</div><div>French</div></div><div><div>Address</div><div>c/o Hermès International 24, rue du Faubourg-Saint-Honoré 75008 Paris</div></div><div><div>Shares held on 31 December 2019</div><div>69,148</div><div>in full ownership and registered —</div></div><div><div>Date of first appointment</div><div>Supervisory Board</div><div>3 June 2008</div><div>Audit and Risk Committee</div><div>26 January 2005</div><div>Term of current office</div><div>2022 GM</div></div></div>	<div><div></div><div><div>CHARLES-ÉRIC BAUER</div><div>Member of the Hermès International Supervisory Board</div><div>Member of the Audit and Risk Committee</div><div>Direct descendant of Mr Émile-Maurice Hermès</div></div></div>	
<div><div>Summary of main areas of expertise and experience</div><div><p>Mr Charles-Éric Bauer holds graduate of École d'Administration et Direction des Affaires (EAD) business school, with an option in finance. He also holds a degree in technical analysis from Institut des Techniques de Marchés.</p><p>He is also served as Co-Managing Director and Head of Mutual Fund Management at CaixaGestión from 2000 to 2005, and as director, Corporate and Institutional Clients, CaixaBank France from 2005 to 2007.</p><p>Since March 2007 he has been the Managing Partner of Hem-Fi Conseil, a private equity firm.</p><p>He brings to the Board his in-depth knowledge of the history and culture of Hermès. His expertise in banking and finance, and the commitment with which he carries out his duties and participates in the Audit and Risk Committee enable him to make an effective contribution to the quality of the discussions and work of the Board in all of its areas of responsibility.</p></div></div>		
<div><div>Main activities outside the Company</div><div>Managing Partner of Hem-Fi Conseil, a private equity firm</div></div>		
<div><div>Offices and positions held during financial year 2019</div></div>	<div><div>In Hermès Group companies</div><div><div>French companies ▲</div><div>◆ Hermès International ● Member of the Supervisory Board and Audit and Risk Committee</div></div></div>	<div><div>Foreign companies ▲</div><div>None</div></div>
	<div><div>Outside Hermès Group companies</div><div><div>French companies</div><div>◆ Almareen 2 Executive Chairman</div><div>◆ H51 Director</div><div>◆ Hem-Fi Conseil Associate director</div><div>◆ Sabarots Executive Chairman</div><div>◆ Samain B2 Executive Chairman</div><div>◆ Yundal Executive Chairman</div><div>◆ Zumsee Executive Chairman</div></div><div><div>Foreign companies</div><div>◆ Carlynedie Executive Chairman</div></div></div>	
<div><div>Other offices and positions held during the previous four financial years and ending before 1 January 2019</div></div>	<div><div>French companies</div><div>◆ Almareen Executive Chairman (terminé le 27/12/2015)</div></div>	<div><div>Foreign companies</div><div>None</div></div>

(1) The age indicated is determined as of the date of filing of this Universal registration document, i.e. 25 March 2020.

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

Age
47 years ¹ (26 July 1972)
Nationality
French
Address
c/o Hermès International 24, rue du Faubourg-Saint-Honoré 75008 Paris
Shares held on 31 December 2019
100 in full ownership and registered —
Date of first appointment
Supervisory Board 4 June 2019
Audit and Risk Committee 4 June 2019
CAG-CSR Committee 4 June 2019
Term of current office 2022 GM



ESTELLE BRACHLIANOFF

Independent member of the Hermès International Supervisory Board
Member of the Audit and Risk Committee
Member of the CAG-CSR Committee

Summary of main areas of expertise and experience

Ms Estelle Brachlianoff is a graduate of École Polytechnique and École Nationale des Ponts et Chaussées.

Ms Estelle Brachlianoff began her career in transport infrastructure and worked with the Prefect of the Île-de-France Region on transport and urban planning issues. She joined Veolia in 2005, and was appointed head of Industrial Cleaning and Facilities Management in 2007 before serving as head of the Waste Management business in the Paris region from 2010 and then the UK from 2012.

A member of Veolia's Executive Committee since 2013 and Director of the United Kingdom & Ireland zone from 2013 to 2018, Estelle Brachlianoff has been Chief Operating Officer since 1 September 2018.

Her experience as a high-level manager in a group with an international dimension, steering structures undergoing transformation, as well as her expertise in CSR and the commitment with which she carries out her duties and participates in the Audit and Risk Committee and the CAG-CSR Committee enable her to make an effective contribution to the quality of the discussions and work of the Board in all of its areas of responsibility. She also brings her dynamism, intellectual agility and the special care she gives to the quality of human relations in organisations.

Main activities outside the Company

Deputy Managing Director of Operations at Veolia Environnement, member of the Executive Committee.

Member of the President's Committee of the British Confederation of Industry (CBI), Chairwoman of the Franco-British Chamber of Commerce.

	In Hermès Group companies	French companies ▲	Foreign companies ▲
		◆ Hermès International ● Member of the Supervisory Board, member of the Audit and Risk Committee and member of the CAG-CSR Committee	None
Offices and positions held during financial year 2019	Outside Hermès Group companies	French companies	Foreign companies
		◆ Veolia Environnement ● * Deputy Managing Director of Operations, member of the Executive Committee ◆ Eaux de Marseille Chairwoman and Director (since 14/06/2019) ◆ SARP Director ◆ SARP Industries Director ◆ Veolia Eau – Compagnie Générale des Eaux Member of the Supervisory Board	◆ Comgen Australia (Australia) Chairwoman and Director ◆ Veolia Africa (Gabon) Chairwoman and Managing Director, Director (term of office as Chairwoman ended on 03/04/2019) ◆ Veolia China Holding (China) Chairwoman and Director ◆ Veolia Decommissioning Services Norway AS (Norway) Chairwoman and Director ◆ Veolia Energy UK Plc. (United Kingdom) Director

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

Offices and positions held during financial year 2019**Outside Hermès Group companies****French companies**

- ◆ **Veolia Énergie France**
Chairwoman
- ◆ **Veolia Énergie International**
Chairwoman and Managing Director, Director
- ◆ **Veolia Propreté**
Chairwoman
- ◆ **Veolia Water**
Chairwoman

French companies

- ◆ **Veolia Environmental Services Australia** (Australia)
Chairwoman and Director
- ◆ **Veolia Environmental Services China** (China)
Chairwoman and Director
- ◆ **Veolia Environmental Services UK** (United Kingdom)
Director
- ◆ **Veolia ES Holding UK** (United Kingdom)
Director
- ◆ **Veolia Holding America Latina, S.A.** (Spain)
Chairwoman
- ◆ **Veolia Japan K.K.** (Japan)
Director
- ◆ **Veolia UK Limited** (United Kingdom)
Director
- ◆ **Veolia Water UK Limited** (United Kingdom)
Director

Other offices and positions held during the previous four financial years and ending before 1 January 2019**French companies**

- ◆ **Zodiac Aerospace** ● *
- Member of the Supervisory Board and member of the Selection Committee (until 13/02/2018)

Foreign companies

- ◆ **VE Development Centre (United Kingdom)**
Director (term ended on 15/10/2018)

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

Age
49 years ¹
(4 March 1971)

Nationality
French

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

Shares held on 31 December 2019
60
in full ownership and registered

Date of first appointment
(Designation by the Group Works Council)
12 November 2019

Term of current office
12 November 2022



PUREZA CARDOSO

Employee representative member of the Supervisory Board of Hermès International

Summary of main areas of expertise and experience

With training in office management (BTS – Office Automation and Secretariat), Ms Pureza Cardoso has 17 years' experience in the administrative, commercial, accounting and legal sector, in a range of companies (law firms, engineering and IT consulting firm, temporary work agency). She is bilingual, French and Portuguese.

Artisan for nine years at Maroquinerie de Sayat, she has skills in multiple areas in the making of several models of leather bags. These include expertise in working on precious skins (ostrich, crocodile). For the past seven years, she has also been working as Artisan-Controller of finished products. She has tutored three artisans as part of their vocational training contracts.

She brings to the Board her internal knowledge of the House of Hermès, and more specifically the leather goods *métier*, and the vision of the employees she represents.

Main activities outside the Company

None

Offices and positions held during financial year 2019	In Hermès Group companies	French companies ▲	Foreign companies ▲
	Outside Hermès Group companies	French companies	Foreign companies
		None	None
		None	None
Other offices and positions held during the previous four financial years and ending before 1 January 2019		French companies None	Foreign companies None

(1) The age indicated is determined as of the date of filing of this Universal registration document, i.e. 25 March 2020.

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

Age47 years ¹

(6 December 1972)

Nationality

French

Addressc/o Hermès International
24, rue du Faubourg-Saint-Honoré
75008 Paris**Shares held on 31 December 2019****213**

in full ownership and registered

Date of first appointment**Supervisory Board**

3 June 2008

CAG-CSR Committee

3 June 2008

Term of current office

2021 GM

**MATTHIEU DUMAS****Member of the Hermès International Supervisory Board**
Member of the CAG-CSR Committee*Direct descendant of Mr Émile-Maurice Hermès***Summary of main areas of expertise and experience**

Mr Matthieu Dumas holds a Masters in Law from Université Paris II-Panthéon-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 13e 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.

Mr Matthieu Dumas has been certified as a Company director (ASC France) by the IFA and Sciences Po since 2015.

Since 2013, he has been the manager of Eaque.

He brings to the Board his in-depth knowledge of the history and culture of Hermès. His professional background, his skills in the fields of governance and CSR, as well as his expertise in the operational management of companies and the commitment with which he carries out his duties and participates in the CAG-CSR Committee enable him to make an effective contribution to the quality of the discussions and work of the Board in all of its areas of responsibility.

Main activities outside the Company

Managing Partner of Hem-Fi Conseil, a private equity firm

Offices and positions held during financial year 2019**In Hermès Group companies****French companies ▲**

- ◆ **Hermès International ●**
Member of the Supervisory Board and the CAG-CSR Committee
- ◆ **Comptoir Nouveau de la Parfumerie ***
Director

Foreign companies ▲

None

Outside Hermès Group companies**French companies**

- ◆ **Asope**
Executive Chairman
- ◆ **Axam 2**
Executive Chairman
- ◆ **Boves**
Executive Chairman
- ◆ **DRestauration**
Executive Chairman
- ◆ **Eaque**
Executive Chairman
- ◆ **H2**
Director
- ◆ **Hecate**
Executive Chairman

Foreign companies

None

(1) The age indicated is determined as of the date of filing of this Universal registration document, i.e. 25 March 2020.

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

Offices and positions held during financial year 2019	Outside Hermès Group companies	French companies	Foreign companies
		<ul style="list-style-type: none"> ◆ Hestia Executive Chairman ◆ Krefeld Chairman and Director ◆ Krefeld Immo Chairman and Director ◆ Krefeld Aref Chairman and Director ◆ Krefeld Infra Chairman and Director ◆ LDMD Executive Chairman ◆ Mathel Executive Chairman ◆ SIFAH Director ◆ Xenia Chairman 	

Other offices and positions held during the previous four financial years and ending before 1 January 2019	French companies	Foreign companies
	None	None

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

Age36 years ¹
(4 June 1983)**Nationality**

French

Addressc/o Hermès International
24, rue du Faubourg-Saint-Honoré
75008 Paris**Shares held on 31 December 2019****200**

in full ownership and registered

Date of first appointment**Supervisory Board**

29 May 2012

Term of current office

2021 GM

**BLAISE GUERRAND****Member of the Hermès International Supervisory Board***Direct descendant of Mr Émile-Maurice Hermès***Summary of main areas of expertise and experience**

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.

He brings to the Board his in-depth knowledge of the history and culture of Hermès, and emerging countries. His professional background, his expertise in the fields of finance, private equity and business management, and the commitment with which he carries out his duties enable him to make an effective contribution to the quality of the discussions and work of the Board in all of its areas of responsibility.

Main activities outside the Company

Managing partner in corporate takeovers

Offices and positions held during financial year 2019	In Hermès Group companies	French companies ▲	Foreign companies ▲
		♦ Hermès International ● Member of the Supervisory Board ♦ Hermès Sellier Member of the Management Board	None
Other offices and positions held during the previous four financial years and ending before 1 January 2019	Outside Hermès Group companies	French companies	Foreign companies
		♦ SCI Sèvres SCIFAH Executive Chairman	♦ ACCESS Health International (USA) Director ♦ Jakyval (Luxembourg) Director
Other offices and positions held during the previous four financial years and ending before 1 January 2019	French companies		Foreign companies
	None		♦ Avest Capital (Mauritius) Director (term ended on 29/12/2015)

(1) The age indicated is determined as of the date of filing of this Universal registration document, i.e. 25 March 2020.

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

Age
45 years ¹ (26 February 1975)
Nationality
French
Address
c/o Hermès International 24, rue du Faubourg-Saint-Honoré 75008 Paris
Shares held on 31 December 2019
5,825 wholly-owned and registered —
Date of first appointment Supervisory Board
2 June 2005
Julie Guerrand 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.
Term of current office
2022 GM



JULIE GUERRAND

Member of the Hermès International Supervisory Board

Direct descendant of Mr Émile-Maurice Hermès

Summary of main areas of expertise and experience

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.

From 1998 to 2006, she worked in the financial affairs department (M&A advisory) of investment bank Rothschild & 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 Cuir Précieux division.

Ms Julie Guerrand has been certified as a Company director (ASC France) by the IFA and Sciences Po since 2014.

She brings to the Board her in-depth knowledge of the history and culture of Hermès. Her experience in the fields of finance and M&A, as well as her legal expertise and the commitment with which she carries out her duties enable her to contribute actively to the quality of the discussions and work of the Board in all of its areas of responsibility.

Main activities outside the Company

Company director.

Offices and positions held during financial year 2019	In Hermès Group companies	French companies ▲ ♦ Hermès International ● Member of the Supervisory Board	Foreign companies ▲ None
	Outside Hermès Group companies	French companies ♦ Antonino Executive Chairwoman ♦ H51 Chairwoman ♦ Idi Member of the Supervisory Board ♦ Jerocar Executive Chairwoman ♦ La mazarine-SCIFAH Executive Chairwoman ♦ Les domaines Barons de Rothschild (Lafite) Member of the Supervisory Board ♦ SCI Apremont Executive Chairwoman ♦ SCI Briand Villiers II Executive Chairwoman ♦ SCI 8 Drouot Executive Chairwoman ♦ SIFAH Director	Foreign companies ♦ Jakyval (Luxembourg) Director

(1) The age indicated is determined as of the date of filing of this Universal registration document, i.e. 25 March 2020.

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

Offices and positions held during financial year 2019**Outside Hermès Group companies****French companies**

- ◆ **Société Immobilière du Dragon**
Executive Chairwoman
- ◆ **Val d'Isère Carojero**
Executive Chairwoman

Other offices and positions held during the previous four financial years and ending before 1 January 2019**French companies**

- ◆ **Compagnie des Cuir Précieux ▲**
Deputy Managing Director – Finance and Organisation (term ended on 15/04/2017)
- ◆ **Hermès Cuir 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)
- ◆ **SCI Briand Villiers I**
Executive Chairwoman (term ended on 19/04/2018)
- ◆ **Vie et Véranda groupe**
Director (term ended on 28/01/2019)

Foreign companies

None

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

Age
42 years ¹ (7 October 1977)
Nationality
Franco-Portuguese
Address
c/o Hermès International 24, rue du Faubourg-Saint-Honoré 75008 Paris
Shares held on 31 December 2019
306,312 in full ownership and registered
Date of first appointment
Supervisory Board 6 June 2017
Term of current office
2021 GM



OLYMPIA GUERRAND

Member of the Hermès International Supervisory Board

Direct descendant of Mr Émile-Maurice Hermès

Summary of main areas of expertise and experience

Ms Olympea 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.

She brings to the Board her in-depth knowledge of the history and culture of Hermès. Her experience in the fields of communications and public relations, her business management skills, and the commitment with which she carries out her duties enable her to contribute actively to the quality of the discussions and work of the Board in all of its areas of responsibility.

3

Main activities outside the Company

Real estate administrator

Offices and positions held during financial year 2019	In Hermès Group companies	French companies ▲ ♦ Hermès International ● ♦ Hermès Sellier	Foreign companies ▲ None
	Outside Hermès Group companies	French companies None	Foreign companies ♦ Clementsvalle LDA (Portugal) Executive Chairwoman
Other offices and positions held during the previous four financial years and ending before 1 January 2019		French companies None	Foreign companies None

(1) The age indicated is determined as of the date of filing of this Universal registration document, i.e. 25 March 2020.

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

Age47 years ¹
(4 May 1972)**Nationality**

French

Addressc/o Hermès International
24, rue du Faubourg-Saint-Honoré
75008 Paris**Shares held on 31 December 2019****50**

in full ownership and registered

Date of first appointment(Designation by the Group Works Council)
12 November 2019**Term of current office**

12 November 2022

**RÉMY KROLL****Employee representative member of the Supervisory Board of Hermès International****Summary of main areas of expertise and experience**Mr Rémy Kroll holds a *Baccalauréat* (B series).

Mr Kroll joined the Hermès Group in March 1995 as a stock clerk at the 24 Faubourg Saint-Honoré store. In the same year, he assumed the management of unsold and second choice stock. For more than 24 years, he has been instrumental in the Hermès Group's growth by developing commercial operations for unsold and second-hand goods.

Since January 2007, he has held the position of Director of Special Sales within the Hermès Commercial division of Hermès Sellier, where he has been a member of the Management Committee since January 2015.

He brings to the Board his internal knowledge of Hermès, and more specifically the Hermès Commercial division, and the vision of the employees he represents.

Main activities outside the Company

None

Offices and positions held during financial year 2019**In Hermès Group companies****French companies ▲**
None**Foreign companies ▲**
None**Outside Hermès Group companies****French companies**
None**Foreign companies**
None**Other offices and positions held during the previous four financial years and ending before 1 January 2019****French companies**
None**Foreign companies**
None

(1) The age indicated is determined as of the date of filing of this Universal registration document, i.e. 25 March 2020.

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

Age
58 years ¹ (20 March 1962)
Nationality
French
Address
c/o Hermès International 24, rue du Faubourg-Saint-Honoré 75008 Paris
Shares held on 31 December 2019
150,012 in full ownership and registered —
Date of first appointment
Supervisory Board 2 June 2005
Audit and Risk Committee 3 June 2008
Term of current office 2020 GM



RENAUD MOMMÉJA

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

Direct descendant of Mr Émile-Maurice Hermès

Summary of main areas of expertise and experience

Mr Renaud Momméja is a graduate of the École Supérieure Libre des Sciences Commerciales Appliquées (ESLSCA).

He has been Executive Manager of SARL Tolazi since 2004, a corporate property management, organisation and strategy consulting firm. Since 2006 he has been the Representative of SC Lor on the Executive Management of SC du Château Fourcas Hosten.

He brings to the Board his in-depth knowledge of the history and culture of Hermès, and Asia. His professional background, his expertise in the fields of property, finance, corporate strategy and CSR, and the commitment with which he carries out his duties and participates in the Audit and Risk Committee enable him to make an effective contribution to the quality of the discussions and work of the Board in all of its areas of responsibility.

Main activities outside the Company

Executive Chairman of SARL Tolazi and Representative of SC Lor on the Executive Management of SC du Château Fourcas Hosten

Offices and positions held during financial year 2019	In Hermès Group companies	French companies ▲	Foreign companies ▲
	Outside Hermès Group companies	French companies	Foreign companies
		<ul style="list-style-type: none"> ◆ Hermès International ● Member of the Supervisory Board and Audit and Risk Committee ◆ Comptoir Nouveau de la Parfumerie * Director 	<ul style="list-style-type: none"> ◆ JL & Co (United Kingdom) Director
		<ul style="list-style-type: none"> ◆ Altizo Executive Chairman ◆ Binc Executive Chairman ◆ GFA Château Fourcas Hosten Executive Co-Chairman ◆ H2 Director ◆ Huso * Director ◆ Lor Executive Co-Chairman ◆ Rose Investissement Executive Chairman ◆ SARL Tolazi Executive Chairman ◆ SCI AJImmo Executive Co-Chairman ◆ SCI Auguste Hollande Executive Co-Chairman ◆ SCI Briand Villiers I Chairman of SIFAH, Executive Chairman (since 05/06/2019) 	<ul style="list-style-type: none"> ◆ None

(1) The age indicated is determined as of the date of filing of this Universal Registration Document, i.e. 25 March 2020.

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

Offices and positions held during 2019	Outside Hermès Group companies	French companies	Foreign companies
		<ul style="list-style-type: none"> ◆ SCI de l'Univers Executive Chairman ◆ SCI Tibemo Executive Co-Chairman ◆ SCI Zotila Vaugirard Chairman ◆ SIFAH Chairman ◆ Société civile du Château Fourcas Hosten Permanent Representative of Lor, Executive Chairman 	None
Other offices and positions held during the previous four financial years and ending before 1 January 2019		<p>French companies</p> <ul style="list-style-type: none"> ◆ 28-30-32 Faubourg-Saint-Honoré Chairman (term ended on 02/07/2015) ◆ H2 Chairman (term ended on 18/05/2016) ◆ SCI du 74 rue du Faubourg-Saint-Antoine Executive Co-Chairman (term ended on 18/01/2019) ◆ SCI Briand Villiers I Executive Chairman (term ended on 05/06/2019) ◆ SCI Briand Villiers II Executive Chairman (term ended on 04/12/2019) ◆ Société immobilière du Faubourg-Saint-Honoré "SIFAH" Executive Chairman (term ended on 02/07/2015) 	None

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

Age
42 years ¹ (8 January 1978)
Nationality
Franco-American
Address
c/o Hermès International 24, rue du Faubourg-Saint-Honoré 75008 Paris
Shares held on 31 December 2019
100 in full ownership and registered —
Date of first appointment
Supervisory Board 4 June 2019
Audit and Risk Committee 4 June 2019
Term of current office 2021 GM



ALEXANDRE VIROS

Independent member of the Hermès International Supervisory Board
Member of the Audit and Risk Committee

Summary of main areas of expertise and experience

Mr Alexandre Viros is *Agrégé de Philosophie*, holds a post-graduate degree in cognitive sciences from École des Hautes Études en Sciences Sociales (EHESS), and is a graduate of Sciences Po Paris.

He began his career in 2001 in higher education and research. In 2004, he joined the Boston Consulting Group (BCG), where he worked for four years, mainly in services (transport, banking, insurance, media).

In 2008, he joined the Fnac group's strategy department, before being appointed Director of Music and Audio. He then took the helm of the commercial department before serving as Chairman of France Billet. In 2016, he was appointed Marketing and e-Commerce Director of Fnac Darty, and joined the Executive Committee.

Since February 2018, Mr Viros has been CEO of OUI.sncf (formerly voyages-sncf.com), and a member of the SNCF Mobilités Executive Committee.

His expertise in the e-commerce and retailing universe, his knowledge of customer relations and his ability to work in industries undergoing profound transformation and seeing the emergence disruptive models, as well as the commitment with which he carries out his duties and participates in the Audit and Risk Committee enable him to make an effective contribution to the quality of the discussions and work of the Board in all of its areas of responsibility. Through his background and his Franco-American culture, he also brings his open-mindedness, his innovative approach to issues and a keen eye on the digital world.

Main activities outside the Company

Managing Director of Oui.sncf

Offices and positions held during financial year 2019	In Hermès Group companies	French companies ▲ ♦ Hermès International ● Member of the Supervisory Board and the Audit Committee	Foreign companies ▲ None
	Outside Hermès Group companies	French companies ♦ OUI.sncf CEO, member of the Executive Committee ♦ E-Voyageurs groupe (SAS) Director and Managing Director ♦ Agence-Oui.sncf (SAS) Chairman ♦ Rail Europe SAS Member of the Supervisory Board	Foreign companies ♦ Loco 2 Holding (United Kingdom) Director
	Other offices and positions held during the previous four financial years and ending before 1 January 2019	French companies ♦ Fnac-Darty ● Marketing and E-Commerce Director, member of the Executive Committee (term ended on 31/01/2018)	Foreign companies None

(1) The age indicated is determined as of the date of filing of this Universal registration document, i.e. 25 March 2020.

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

3.4.4 DIVERSITY POLICY APPLIED WITHIN THE SUPERVISORY BOARD

3.4.4.1 CHANGES IN THE COMPOSITION OF THE SUPERVISORY BOARD SINCE 2011

Pursuant to Article L. 225-37-4 (6) of the French Commercial Code (*Code de commerce*), 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;

In accordance with Article L. 225-37-4 of the French Commercial Code (*Code de commerce*), their means of implementation and the results achieved at the end of 2019 are as follows:

- 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)
In 2019	2018 (page 171)

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).

CRITERIA USED	Objectives set in 2012	Means of implementation and results at 31/12/2019
Optimal size (number of Board members) The Board comprised 10 members within a range of three to 15 members set out by the Articles of Association (the decision is made by the Active Partner).	<u>Objective:</u> maintain the number of members insofar as the Board's size is consistent with market recommendations and works satisfactorily. This objective may be reconsidered if other constraints (proportion of women and proportion of 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 an employee representative) and then to 13 in 2017 (with the appointment of two new women), and most recently to 14 (with the appointment of a second employee representative).
Age limit	Article 18.3 of the Articles of Association states that the number of members aged over 75 cannot exceed one-third of the total. <u>Objective:</u> make no changes as the current rule under the Articles of Association is satisfactory.	Unchanged.
Gender parity	End of 2011: 20% women and 80% men. <u>Objective:</u> reach at least 40% of each gender by 2017 in accordance with Article L. 226-4-1 of the French Commercial Code (<i>Code de commerce</i>).	Appointments of Ms Dominique Senequier in 2013 and Ms Monique Cohen in 2014. Appointment of Ms Sharon MacBeath in 2016 and Ms Dorothée Altmayer and Ms Olympia Guerrand in 2017. Appointment of Ms Estelle Brachlianoff in 2019. Since the end of 2017: 50% women and 50% men.
Number of independent members	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). <u>Objectives:</u> ♦ replace the two independent members (Mr Ernest-Antoine Sellièrre and Mr Maurice de Kervenoaël) who would be over 75 years old at the end of their respective terms in 2013 and 2014; ♦ find a suitable female candidate to be an independent member of the Audit and Risk Committee in 2014.	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 and Risk Committee in 2016, and to the CAG-CSR Committee in 2017.

CRITERIA USED	Objectives set in 2012	Means of implementation and results at 31/12/2019
Nationalities, international experience, expertise (highlighting the missing talents/typical profiles needed to improve the running of the Board).	<p><u>Objectives:</u></p> <ul style="list-style-type: none"> ◆ the House's culture being quintessentially French, maintain a French-speaking Board; ◆ international experience is important; ◆ experience in the luxury sector is not necessarily desirable given the specific nature of Hermès and potential conflicts of interest; ◆ experience or membership of a family group should be decisive (collective and not individual ambition); ◆ the absence of a conflict of interest is difficult to define and will be examined on a case-by-case basis; ◆ financial expertise is desirable; ◆ integrity and compatibility with the Hermès values is a prerequisite; ◆ plurality of offices in other listed companies is not in itself a handicap but must be taken into account for good governance. 	<p>Appointment of Ms Dominique Senequier to the Board in 2013 (financial profile).</p> <p>Appointment of Ms Monique Cohen in 2014 (financial profile, Audit and Risk Committee experience).</p> <p>Appointment of Ms Sharon MacBeath in 2016 (experience in human resources and British nationality).</p> <p>Appointment in 2017 of Ms Dorothée Altmayer (experience in human resources and psychology) and Ms Olympia Guerrand (international experience and dual nationality).</p> <p>Appointment of Ms Estelle Brachlianoff and Mr Alexandre Viros in 2019 (see below).</p>
Possibility of appointing a non-voting member	<p><u>Objective:</u> unfavourable because this role can be entrusted to a Board member without the need to appoint a non-voting member.</p>	Unchanged.
CRITERIA USED	Objectives set in 2014	Means of implementation and results at 31/12/2019
Employee representative members	<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.</p> <p>Appointment of an employee representative to the Board at the end of 2014.</p> <p>Appointment of two employee representatives to the Board (one woman and one man) since 12 November 2019.</p> <p>Amendment of the Articles of Association submitted to the General Meeting of 24 April 2020.</p>
CRITERIA USED	Objectives set in 2019	Means of implementation and results at 31/12/2019
Nationalities, international experience, expertise (highlighting the missing talents/typical profiles needed to improve the running of the Board). Number of independent members	<p><u>Objectives:</u> Upon the planned replacement of Mr Robert Peugeot and the resignation of Ms Sharon MacBeath in 2019, the Supervisory Board set itself the objective of taking on two new independent members.</p>	<p>Appointment in 2019 of Ms Estelle Brachlianoff to the Board, the Audit and Risk Committee, and the CAG-CSR Committee (experience as a senior manager in a group with an international dimension, steering structures undergoing transformation, CSR skills).</p> <p>Appointment in 2019 of Mr Alexandre Viros to the Board and the Audit and Risk Committee (expertise in the e-commerce and retailing universe, knowledge of customer relations, aptitude to work in industries undergoing profound transformation and seeing the emergence of disruptive models).</p> <p>End-2019: 1/3 independent members.</p>

Only Board members appointed by the General Meeting (Article L. 225-79-2 II of the French Commercial Code (Code de commerce)) and independent members (Afep-Medef Code – Article 9.3) are included in the calculation of the percentage of women members, not employee representatives.

No objective has been set for 2020 as regards changes in the composition of the Supervisory Board.

3.4.4.2 NUMBER OF SUPERVISORY BOARD MEMBERS AND BALANCED REPRESENTATION OF MEN AND WOMEN – NUMBER OF EMPLOYEE REPRESENTATIVES

31/12	2011	2012	2013	2014	2015	2016	2017	2018	2019
Number	10	11	11	10	10	10	12	12	12
F	20%	18%	27%	40%	40%	40%	50%	50%	50%
M	80%	82%	73%	60%	60%	60%	50%	50%	50%
Employee rep.	n/a	n/a	n/a	1	1	1	1	1	2

n/a not applicable.

Only Board members appointed by the General Meeting (Article L. 225-79-2 II of the French Commercial Code (Code de commerce)) are included in the calculation of the percentage of women members, not employee representatives.

3.4.4.3 SELECTION PROCESS FOR SUPERVISORY BOARD MEMBERS

Board members appointed by the General Meeting

The selection process for Board members appointed by the General Meeting is as follows:

- ♦ the Supervisory Board sets objectives for changes in its composition;
- ♦ 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;
- ♦ the profiles of male or female candidates from a variety of backgrounds and likely to be interested in joining the Supervisory Board are then preselected by the recruitment advisor;
- ♦ 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;
- ♦ the selected candidates then meet the other members of the CAG-CSR Committee and the Executive Chairmen;
- ♦ the CAG-CSR Committee discusses the results of these interviews and submits its recommendations to the Émile Hermès SARL Executive Management Board and the Supervisory Board.

Employee representatives appointed by the Group Works Council (Article L. 225-69-1 of the French Commercial Code (Code de commerce))

Law 2019-486 of 22 May 2019 on the growth and transformation of companies (known as the “Pacte” law) ushers in the requirement that Supervisory Boards with more than eight members appoint two employee representatives, one male and one female.

Conditions of eligibility are as follows:

- ♦ hold an employment contract for more than two years;
- ♦ have a clean criminal record;
- ♦ complete the application form prepared by the Group Works Council.

Each trade union active at Group level may submit a candidate through its union representative on the Group Works Council.

Each Economic and Social Committee, Works Council or single staff delegation (and for companies without such bodies, the College of Staff Representatives) may nominate one candidate by secret ballot.

As an exception, companies with more than 300 employees may present two candidates (one male and one female).

Candidates submitted by representative trade union organisations and employee representative bodies are examined by the Group Works Council, which appoints two employee representatives to the Supervisory Board, one male and one female, in two rounds.

3.4.5 INDEPENDENCE OF THE MEMBERS OF THE SUPERVISORY BOARD

3.4.5.1 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 9.5 of the version updated in January 2020):

Criterion 1: *Employee or Corporate Officer in the previous five years*

Not to be and not to have been during the course of the previous five years:

- ♦ an employee or Executive Corporate Officer of the Company;
- ♦ an employee, Executive Corporate Officer or a director of a company consolidated by the Company;
- ♦ an employee, Executive Corporate Officer or a director of the Company's parent company or a company consolidated by this parent.

Criterion 2: *Cross-directorships*

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.

Criterion 3: *Significant business relationships*

Not to be a customer, supplier, commercial banker, investment banker or consultant:

- ♦ that is material to the Company or its group;
- ♦ or for which the Company or its group represents a significant part of its business.

The evaluation 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 evaluation (continuity, economic dependence, exclusivity, etc.) must be explicitly stated in the annual report.

Criterion 4: *Family ties*

Not to be related by close family ties to a Corporate Officer.

Criterion 5: *Statutory Auditor*

Not to have been a Statutory Auditor of the Company within the previous five years.

Criterion 6: *Term of office exceeding twelve years*

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.

Criterion 7: *Status of the non-Executive Corporate Officer*

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.

Criterion 8: *Status of main shareholder*

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:

Criterion 9: *Status of Partner or member of the Executive Management Board of the Active Partner*

Not to be a partner or member of the Executive Management Board of Émile Hermès SARL, Active Partner.

3.4.5.2 SITUATION OF EACH MEMBER OF THE SUPERVISORY BOARD, AS AT 31 DECEMBER 2019, IN RESPECT OF THE ABOVE CRITERIA

On 31 December 2019, 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 Estelle Brachlianoff, Ms Monique Cohen, Ms Dominique Senequier and Mr Alexandre Viros. 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 241 below).

CRITERIA	Éric de Seynes (Chairman)	Monique Cohen (Vice-Chair-woman)	Dominique Senequier (Vice-Chair-woman)	Dorothee Altmayer	Charles-Éric Bauer	Estelle Brachlianoff	Pureza Cardoso (employee representative)	Matthieu Dumas	Blaise Guerrand	Julie Guerrand	Olympia Guerrand	Rému Kroll (employee representative)	Renaud Momméja	Alexandre Viros
Criterion 1		✓	✓			✓								✓
Criterion 2	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Criterion 3	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Criterion 4		✓	✓			✓	✓					✓		✓
Criterion 5	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Criterion 6	✓	✓	✓	✓	✓	✓	✓	✓	✓		✓	✓		✓
Criterion 7	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Criterion 8		✓	✓			✓	✓					✓		✓
Criterion 9		✓	✓			✓	✓					✓		✓
INDEPENDENT		✓	✓			✓								✓

In accordance with Article 9.3 of the Afep-Medef Code updated in January 2020, 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 (*Code de commerce*).

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.

In accordance with the provisions of the Afep-Medef Code (Article 9.3), employee representatives are not included in the calculation of these percentages.

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

With Mr Robert Peugeot losing his independent member status (24 January 2019) and Ms Sharon MacBeath resigning (20 March 2019), the proportion of independent members on the CAG-CSR Committee temporarily fell below the levels required by the Afep-Medef Code at the beginning of 2019.

The General Meeting of 4 June 2019 appointed two new independent members, Ms Estelle Brachlianoff and Mr Alexandre Viros, which restored the proportion of one-third independent members on the Board as of that date.

3.4.6 BUSINESS ETHICS OF THE SUPERVISORY BOARD

3.4.6.1 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 updated on a regular basis to be in line with revisions of the Afep-Medef Code and with the regulatory environment.

The Supervisory Board's rules of procedure have been updated on several occasions and notably three times in 2019, on 25 January 2019, 19 March and 4 June 2019, as follows:

- ♦ update of the name of the CAG-CSR Committee;
- ♦ addition of rules whereby the Board is informed of the Company's balance sheet, the cash position and commitments;
- ♦ update of the name of the Audit and Risk Committee;
- ♦ reduction to 100 of the number of shares to be held by members of the Supervisory Board (Article 1.1.1);
- ♦ replacement of the notion of “directors' fees” by “compensation of Supervisory Board members” (Article 3.1);
- ♦ addition of the new duty assigned to the Chairman of the Supervisory Board regarding communication with shareholders (Article 1.2.5).

The thirteenth version of the rules of procedure dated 4 June 2019 is set out in full on page 279 and each update is made available online at <https://finance.hermes.com/en/Corporate-Governance/Management-Bodies/The-Supervisory-Board>.

3.4.6.2 STOCK MARKET ETHICS CODE

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

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

- ♦ by the **Hermès Group Stock Market Ethics Code** 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 seventh version of the Hermès Group Stock Market Ethics Code dated 10 September 2019 is provided on page 397, and each update is made available online at <https://finance.hermes.com/en/Corporate-Governance/Management-Bodies/The-Supervisory-Board>.

3.4.6.3 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 allocation of compensation to Supervisory Board members adopted by the Board include a variable component proportional to attendance at meetings, which is currently 64.54% for the Supervisory Board and 60.00% for the specialised committees (see "Specific principles applicable to the compensation policy for members of the Supervisory Board" on page 262).

Remote attendance using telecommunications facilities must remain exceptional but is remunerated under the same conditions.

During financial year 2019, eight meetings of the Supervisory Board, six meetings of the Audit and Risk Committee and seven meetings of the CAG-CSR Committee were held, with the regular attendance of almost all of its members, as shown in the table below:

2019	Attendance at Supervisory Board meetings	Attendance at Audit and Risk Committee meetings	Attendance at CAG-CSR Committee meetings
Average attendance	96.15%	90.00%	100.00%
Éric de Seynes (Chairman)	100.00%	n/a	n/a
Monique Cohen (Vice-Chairwoman)	100.00%	100.00%	n/a
Dominique Senequier (Vice-Chairwoman)	87.50%	n/a	100.00%
Dorothee Altmayer	100.00%	n/a	n/a
Charles-Éric Bauer	100.00%	100.00%	n/a
Estelle Brachlianoff (joined on 04/06/2019)	100.00%	66.67%	100.00%
Pureza Cardoso, employee representative (joined on 12/11/2019)	100.00%	n/a	n/a
Matthieu Dumas	100.00%	n/a	100.00%
Blaise Guerrand	100.00%	n/a	n/a
Julie Guerrand	100.00%	n/a	n/a
Olympia Guerrand	75.00%	n/a	n/a
Rémy Kroll, employee representative (joined on 12/11/2019)	100.00%	n/a	n/a
Sharon MacBeath (resigned on 20/03/2019)	100.00%	100.00%	100.00%
Renaud Momméja	100.00%	83.33%	n/a
Robert Peugeot (resigned on 04/06/2019)	66.67%	66.67%	100.00%
Alexandre Viros (joined on 04/06/2019)	100.00%	100.00%	n/a

Attendance calculated by establishing the ratio between the number of meetings actually attended and the number of meetings applicable to each member.
n/a: not applicable.

3.4.6.4 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;

- ♦ *each year when the Universal 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 evaluate the material nature of business relationships that could affect the independence of a Supervisory Board member as required by recommendation 9.5.3 of the Afep-Medef Code updated in January 2020. The business relationship evaluation 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 evaluation is made on a case-by-case basis.

Ms Monique Cohen, Ms Estelle Brachlianoff and Mr Alexandre Viros have not declared any business relationships with the Company.

Ms Dominique Senequier declared a non-significant business relationship described on page 339 under related-party transactions.

After examining each of these situations in early 2020, 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.

3.4.6.5 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 (*Code de commerce*) 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 19.4 of the Afep-Medef Code updated in January 2020.

3.4.6.6 NUMBER OF SHARES TO BE HELD BY MEMBERS OF THE SUPERVISORY BOARD

The rules of procedure, since their adoption in 2009, require Supervisory Board members, except for the employee representatives, for whom this requirement is waived, to own a relatively significant number of registered shares. The number was originally set at 200. But in view of the high price of Hermès International shares, the CAG-CSR Committee proposed in 2019 that the number of shares to be held by Board members be reduced to 100, which was approved by the Board on 4 June 2019.

Based on the Hermès International share price at 31 December 2019 (€666.20), the value of these shares is equal to more than two years of directors' fees.

At its meeting of 10 January 2020 the Supervisory Board noted that all members of the Supervisory Board complied with this obligation.

3.4.7 FUNCTIONING OF THE SUPERVISORY BOARD

3.4.7.1 ROLE OF THE SUPERVISORY BOARD

As briefly mentioned on page 213 above, the primary role of the Supervisory Board of a *société en commandite par actions* (SCA – partnership limited by shares) is to maintain ongoing control over the Company's management in accordance with the law and the Articles of Association. In this respect, the Supervisory Board is responsible for evaluating 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 financial statements, decides on the proposed allocation of net income, and provides all recommendations and authorisations. 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.

The Supervisory Board describes the due diligence procedures it carried out during the financial year ended 31 December 2019 in a report presented to the General Meeting called to approve the financial statements (page 439).

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.

3.4.7.2 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 Senior 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 2020, the Chairman reported to the Supervisory Board on the performance of his duties in 2019.

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 2019, the Board did not give the Chairman of the Supervisory Board any duties other than those conferred by law.

3.4.7.3 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 Stock Market Ethics Code;
- ♦ 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 allocation of compensation to Supervisory Board members;
- ♦ 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);
- ♦ anti-corruption code of conduct;
- ♦ professional whistleblowing system notice;
- ♦ ethics charter of the Hermès Group;
- ♦ presentations of Hermès International and Émile Hermès SARL;
- ♦ the annotated Articles of Association;
- ♦ Afep-Medef Corporate Governance Code.

This master file is updated on a regular basis.

3.4.7.4 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. In practice, the Supervisory Board meets at least seven times per year; it met eight times in 2019.

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, whenever possible, at least 48 hours beforehand. Persons who are not Board members, in particular members of the Executive Committee, of

the Operations 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 certain matters on the agenda and that are technical in nature or require special expertise. These people usually attend only the part of the meeting that concerns them.

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.

3.4.7.5 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.

3.4.7.6 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 director (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:

- ♦ presentation by the Board Secretary of:
 - the SCA legal form and the role of the members of the Supervisory Board,
 - confidentiality rules,

- the Group's organisation chart,
- the Hermès Sellier divisional organisation chart,
- minutes of the Supervisory Board for the last three financial years together with those of the current year;
- ♦ meetings with the Sustainable Development Director, the Group Human Resources Director and all members of the Executive Committee (for external members);
- ♦ receipt of a new Supervisory Board member integration kit of legal and governance documents containing:
 - the Supervisory Board's master file (see pages 243),
 - the IFA Director handbook (2014);
- ♦ enrolment in a three-day in-house "Mosaic" immersion training session with employees (for external members);
- ♦ briefing on the Company's ownership structure and Active Partner (Émile Hermès SARL);
- ♦ IFA training courses (especially for new members and employee representatives).

3.4.7.7 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 282) and based on the rules applicable to Group employees.

3.4.7.8 COMPENSATION OF THE MEMBERS OF THE SUPERVISORY BOARD

The term "directors' fees" has been replaced in French law by "Compensation of the members of the Supervisory Board" (amendment made by law 2019-486 of 22 May 2019, known as the "Pacte" law).

Information relating to the compensation of the members of the Supervisory Board is presented on page 262 *et seq.*

3.4.8 ACTIVITY OF THE SUPERVISORY BOARD

3.4.8.1 GROUP ACTIVITY AND FINANCE

In 2019, 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 2019 budget;
- ♦ reviewed documents on forecasting and planning;
- ♦ was informed of the Executive Management's decision to pay an interim dividend;

- ♦ determined the allocation of net income to be put to the General Meeting of 4 June 2019;
- ♦ reviewed the situation of certain equity investments;
- ♦ formally noted proposals for Group acquisitions, disposals and equity investments;
- ♦ formally noted investment proposals;
- ♦ examined the reports and work of the Audit and Risk Committee described starting on page 252 and seq;
- ♦ was informed of changes in the composition of the Executive Committee.

3.4.8.2 RECOMMENDATIONS, AUTHORISATIONS AND OTHER ITEMS

In 2019, the Supervisory Board, in particular:

- ♦ authorised and reclassified, as necessary, 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 437 and 438);
- ♦ approved the explanatory memorandum and the resolutions put to the Combined General Meeting of 4 June 2019 and acquainted itself with the reports drawn up by the Executive Management;
- ♦ formally noted the summary statement of services provided by Hermès International to Émile Hermès SARL in 2018 and projections for 2019;
- ♦ 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;
- ♦ drew up responses to the opinion of the Social and Economic Committee on the Company's strategic orientations;
- ♦ approved the updated Hermès Group Stock Market Ethics Code;
- ♦ noted the responsibility inherent in holding inside information;
- ♦ reviewed the annual report of the Chairman of the Supervisory Board on his duties with regard to shareholder dialogue;
- ♦ was informed of the content and impact of legislative and regulatory developments affecting the Supervisory Board.

3.4.8.3 GOVERNANCE – APPOINTMENTS – COMPENSATION

In 2019, the Supervisory Board:

- ♦ approved the updated rules of procedure of the Supervisory Board, the CAG-CSR Committee and the Audit and Risk Committee;

- ♦ reviewed and/or approved the reports and work of the CAG-CSR Committee described starting on page 250;
- ♦ set the allocation and payment of compensation and directors' fees for 2018 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";
- ♦ was informed of the setting by the Executive Management Board of Émile Hermès SARL, Active Partner, of the Executive Chairmen's 2019 compensation and the incorporation of a CSR criterion for the 2020 compensation in respect of 2019;
- ♦ approved the proposals of reappointment or replacement of members of the Supervisory Board to be considered at the General Meeting;
- ♦ decided how new independent members are to be recruited and how the target profile is to be defined;
- ♦ noted the resignation of Ms Sharon MacBeath from her position as member of the Supervisory Board;
- ♦ was informed by the Executive Management of the adoption of free share allocation plans;
- ♦ decided on the composition of the Audit and Risk Committee and the CAG-CSR Committee after the General Meeting.

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).

3.4.8.4 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.

Since 11 September 2018, the Supervisory Board's rules of procedure have included new duties relating to the system for the prevention and detection of corruption and influence-peddling (section 1.2.4.2.), following the revision of the Afep-Medef Code 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 2019, the Supervisory Board was informed about ethics and compliance programmes and on the progress of the corruption prevention plan in compliance with law 2016-1691 of 9 December 2016, known as "Sapin II", within the Group.

In early 2019, the General Counsel Compliance 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 No. 2016-1691 of 9 December 2016, known as the "Sapin II" law, on transparency, the fight against corruption and the modernisation of economic life;
- ♦ corruption risk mapping;
- ♦ 2019 action plan: anti-corruption code of conduct, alert system, training, tools for evaluation of third parties, audits;
- ♦ roll-out of the vigilance plan in accordance with law No. 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.

A presentation to the Supervisory Board on the personal data protection system, in accordance with the GDPR (EU regulation 2016/679 of 27 April 2016), implemented in the Group, was made in 2019.

The systems implemented in the Group are described on pages 178 and seq.

3.4.8.5 CORPORATE SOCIAL RESPONSIBILITY – CSR

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

Since 11 September 2018, the Supervisory Board's rules of procedure have included new duties relating to CSR issues (Article 1.2.4.2.), following the revision of the Afep-Medef Code 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 matters relating to CSR in order that the Hermès Group better anticipate associated opportunities, issues and risks;
- ♦ assist the Supervisory Board in monitoring social policy of the Hermès Group and the policy of non-discrimination and diversity.

In addition, since the incorporation of a CSR criterion into the Executive Chairmen's variable compensation in 2019, the CAG-CSR Committee has been tasked with annually evaluating the achievement of the three indicators comprising it (see page 265).

3.4.8.6 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 2019 the Board:

- ♦ attended a presentation of the Group's digital strategy;
- ♦ attended a presentation of the objectives and actions of internal communication;
- ♦ attended a presentation of Hermès Parfums' new product development strategy;
- ♦ inspected the logistics site, where it was given a presentation of the activity, the results of the Hermès Commercial division and a tour of the warehouses.

3.4.9 EVALUATION OF THE SUPERVISORY BOARD AND COMMITTEES

3.4.9.1 METHODOLOGY

Whether or not to use an external advisor

As in 2016, the CAG-CSR Committee considered it undesirable to call on an outside firm to conduct a formal evaluation of the Supervisory Board for the following reasons:

- ♦ confidentiality concerns raised by giving information on the Supervisory Board to a third party;
- ♦ the relative absence of weak signals raised by previous evaluations;
- ♦ progress in terms of governance over the last six years;
- ♦ the small amount of added value expected from an external firm, particularly given the specific nature of the *société en commandite par actions* (partnership limited by shares), which offers few comparables.

Process and review of the evaluation questionnaire

In 2011, the Supervisory Board decided to carry out a formal questionnaire-based self-evaluation only once every three years, while maintaining a discussion on the functioning of the Board every year.

In 2019, the Supervisory Board conducted a formal evaluation of the Supervisory Board and committees as follows:

- ♦ evaluation conducted confidentially by the Secretary of the Board in conjunction with the Chairwoman of the CAG-CSR Committee;
- ♦ secure online questionnaire accessible on computer or mobile phone; automatic summary of results and more comprehensible restitution;
- ♦ repetition of questions from the 2016 questionnaire, some of which have been reworded or had redundancies deleted. Addition of questions to take account of the new tasks in the Board and committees, as set out in the rules of procedure;

- ◆ as in 2016, the 2019 questionnaire allows for an evaluation of the individual contribution of Board members;
- ◆ members can also, at the end of the questionnaire, make observations/comments and possible suggestions;
- ◆ 3 distinct headings:
 - 1. evaluation of the Board (for all Board members – 91 questions),
 - 2. evaluation of the CAG-CSR Committee (only for members of that Committee – 31 questions),
 - 3. evaluation of the Audit and Risk Committee (only for members of that Committee – 33 questions);
- ◆ the questionnaire covers the following topics:
 - composition of the Board, independence, term of office,
 - Board meetings,
 - work of the Board,
 - ethics and compliance,
 - quality of discussions,
 - effectiveness of the Supervisory Board,
 - relationships with committees,
 - training of Board members – site visits,
 - Board of Directors' rules of procedure and Stock Market Ethics Code,
 - compensation of Board and committee members,
 - composition and organisation of committee meetings,
 - access to information for committee members,
 - work of the committees;
- ◆ comprehensive and anonymous summary of the analysis of responses, made by the Chairwoman of the CAG-CSR Committee to the Supervisory Board.

Objectives of the evaluation

The questionnaire is designed to enable the performance of the Supervisory Board and the committees to be evaluated.

The evaluation must have three objectives (Article 10.2 of the Afep-Medef Code updated in January 2020):

- ◆ review the Board's operating procedures;
- ◆ check that key issues are properly prepared and discussed;
- ◆ measure the effective contribution of each Board member to the work of the Board by virtue of his or her skills and involvement in discussions.

Schedule of the 2019 evaluation

The evaluation in 2019 was carried out as follows:

- ◆ launch of the evaluation questionnaire after the September Board meeting;
- ◆ comprehensive and anonymous summary in October;
- ◆ analysis and summary at the November CAG-CSR Committee meeting;
- ◆ restitution to the Board at the November meeting.

Individual interviews with the Chairwoman of the CAG-CSR Committee

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. This option was used by a member of the Supervisory Board during the 2019 evaluation.

3.4.9.2 KEY POINTS OF THE FORMAL EVALUATION IN 2019

2019 evaluation of the Supervisory Board

The summary of the evaluation is very positive overall.

Between the last formal evaluation in 2016 and the formal evaluation in 2019, four new members joined the Supervisory Board (Mses Olympia Guerrand and Dorothee Altmayer in 2017, Ms Estelle Brachlianoff and Mr Alexandre Viros in 2019).

The analysis of the evaluation results showed:

- ◆ a very good opinion of the functioning and work of the Board;
- ◆ progress has been made in many areas since the last evaluation in 2016, for both the Board and the committees;
- ◆ all members made satisfactory individual contributions and were sufficiently available;
- ◆ the new digital questionnaire is easy to use and well-liked.

2019 evaluation of the CAG-CSR Committee

The functioning and work of the CAG-CSR Committee is generally very satisfactory.

Since the last evaluation, a new member has joined the Committee (Ms Estelle Brachlianoff in 2019).

The analysis of the evaluation results showed:

- ◆ the composition of the Committee is appropriate;
- ◆ the organisation and work of the Committee is highly efficient;
- ◆ progress has been made since the last evaluation

2019 evaluation of the Audit and Risk Committee

The functioning and work of the Audit and Risk Committee is generally very satisfactory.

Since the last evaluation, two new members have joined the Committee (Ms Estelle Brachlianoff and Mr Alexandre Viros in 2019).

The analysis of the evaluation results showed:

- ♦ the organisation and work of the Committee is highly efficient;
- ♦ progress has been made since the last evaluation

In view of the findings of the above analysis, the Supervisory Board deemed its functioning and that of its Committees to be very satisfactory overall.

The Board's next formal self-evaluation will take place in 2022.

3.4.9.3 AREAS OF IMPROVEMENT IDENTIFIED FOLLOWING THE FORMAL EVALUATION IN 2019

Some members would like to changes on the following points, which the Board, on the proposal of the CAG-CSR Committee, has decided to adopt as areas for improvement for the future:

Supervisory Board

- ♦ improve Board members' access to support materials for presentations given during meetings.

CAG-CSR Committee

- ♦ devote at least two meetings per year to the in-depth examination of CSR issues.

Audit and Risk Committee

- ♦ organise training on foreign exchange and on the new IFRS standards for committee members wishing to benefit;
- ♦ take advantage of the presentation of the risk mapping to the Audit and Risk Committee to draw up action plans on a major risk.

3.4.9.4 OTHER AREAS FOR IMPROVEMENT IDENTIFIED

At the end of 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 2018.

All areas of improvements – which mainly consisted of fine-tuning the text for the “corporate governance” section of the Universal registration document to include the latest recommendations in matters of governance – had been implemented.

3.4.9.5 CHANGE SINCE THE LAST EVALUATION

The conditions, detailed procedures and areas for improvement identified during the last formal three-year self-evaluation 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.

Areas for improvement identified in the formal evaluation in 2016

Initiatives taken from 2016 to 2019

Composition of the Board in view of the Group's international footprint, nationality of Board members

Appointment in 2017 of Ms Dorothée Altmayer (experience in human resources and psychology) and Ms Olympia Guerrand (international experience and dual nationality).
Appointment in 2019 of Ms Estelle Brachlianoff to the Board, the Audit and Risk Committee, and the CAG-CSR Committee (experience as a senior manager in a group with an international dimension, steering structures undergoing transformation, CSR skills).
Appointment in 2019 of Mr Alexandre Viros to the Board and the Audit and Risk Committee (expertise in the e-commerce and retailing universe, knowledge of customer relations, aptitude to work in industries undergoing profound transformation and seeing the emergence of disruptive models).

The CAG Committee is not sufficiently informed about management succession plans

A succession plan for the Executive Management has been drawn up and submitted to the CAG-CSR Committee.
A succession plan for the Chairman of the Supervisory Board has been drawn up and submitted to the CAG-CSR Committee.

The variable component of directors' fees is insufficient

New procedures for the allocation of directors' fees were approved by the Board at its meeting of 6 June 2017 to:

- ♦ take market practices into account;
- ♦ acknowledge days devoted to site visits;
- ♦ acknowledge new responsibilities;
- ♦ acknowledge the role of the Chairmen (a function requiring greater commitment);
- ♦ acknowledge the results obtained over the last 10 years.

3.4.9.6 EVALUATION OF THE CAG-CSR COMMITTEE

The operation and work of the CAG-CSR Committee were evaluated in 2019 as part of the three-year formal self-evaluation of the Supervisory Board (see page 247).

3.4.9.7 EVALUATION OF THE AUDIT AND RISK COMMITTEE

The functioning and work of the Audit and Risk Committee were evaluated in 2019 as part of the three-year formal self-evaluation of the Supervisory Board (see page 248).

3.4.10 SPECIALISED COMMITTEES

Two specialised committees were created in 2005:

- ♦ the Audit Committee (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 and 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.

Summary of changes in 2019

	Departures	Appointments	Renewals
Audit and Risk Committee	Ms Sharon MacBeath (20/03/2019) Mr Robert Peugeot (04/06/2019)	Ms Estelle Brachlianoff (04/06/2019) Mr Alexandre Viros (04/06/2019)	Ms Monique Cohen, Chairwoman (04/06/2019) Mr Charles-Éric Bauer (04/06/2019) Mr Renaud Momméja (04/06/2019)
CAG-CSR Committee	Ms Sharon MacBeath (20/03/2019) Mr Robert Peugeot (04/06/2019)	Ms Estelle Brachlianoff (04/06/2019)	Ms Dominique Senequier, Chairwoman (04/06/2019); Mr Matthieu Dumas (04/06/2019)

3.4.10.1 CAG-CSR COMMITTEE

Composition and functioning of the CAG-CSR Committee at 31 December 2019

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 and updates of the Afep-Medef Code and developments in the regulatory environment.

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 financial year

Mr Robert Peugeot had served for 12 years of office on 24 January 2019. He has therefore have lost his status as independent Board member of the Supervisory Board according to the criteria set out in the Afep-Medef Corporate Governance Code. His term of office as a member of the Supervisory Board expired on 4 June 2019, which resulted in his resignation from his duties as a member of the CAG-CSR Committee and the Audit and Risk Committee on the same date.

Ms Sharon MacBeath resigned from her office as a member of the Supervisory Board effective 20 March 2019, meaning that she also resigned from her office as a member of the CAG-CSR Committee and the Audit and Risk Committee on the same date.

At its meeting of 4 June 2019 the Supervisory Board:

- ♦ reappointed Ms Monique Cohen (Chairwoman), Mr Charles-Éric Bauer and Mr Renaud Momméja as members of the Audit and Risk Committee;
- ♦ appointed Ms Estelle Brachlianoff and Mr Alexandre Viros as new members of the Audit and Risk Committee;
- ♦ reappointed Ms Dominique Senequier (Chairwoman) and Mr Matthieu Dumas as members of the CAG-CSR Committee;
- ♦ appointed Ms Estelle Brachlianoff as a new member of the CAG-CSR Committee.

The CAG-CSR Committee's rules of procedure were not updated in 2019.


The seventh version of the rules of procedure dated 16 November 2018 is set out in full on page 282 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 his opinion in matters of appointments or governance, which was the case in 2019.

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

The CAG-CSR Committee comprised the following members at 31 December 2019:

2019 DATA	Personal details	Independence	Date of appointment	Term of office on the Board	Length of service on the Committee	Attendance
7 MEETINGS	 Dominique Senequier (F) (Chairwoman) Nationality: French 66 years ⁽¹⁾ – 21/08/1953	✓	04/06/2013	2022 GM	6.5 years	100.00%
67% INDEPENDENCE	Estelle Brachlianoff (F) Nationality: French 47 years ⁽¹⁾ – 26/07/1972	✓	04/06/2019	2022 GM	0.5 year	100.00%
67% WOMEN	Matthieu Dumas (M) Nationality: French 47 years ⁽¹⁾ – 06/12/1972		03/06/2008	2021 GM	11.5 years	100.00%
AVERAGE ATTENDANCE						100.00% ⁽²⁾

(1) The age indicated is determined as of the date of filing of this Universal registration document, i.e. 25 March 2020.

(2) This figure reflects the average attendance of the members of the Audit and Risk Committee in office as of 31 December 2019, and does not take into account members who left the Committee during the year.

Changes in 2019

Departures	Appointments	Renewals
<ul style="list-style-type: none"> The term of office 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, expired at the end of the General Meeting of 4 June 2019; Ms Sharon MacBeath resigned from her office as a member of the Supervisory Board for personal reasons effective 20 March 2019, meaning that she also resigned from her office as a member of the CAG-CSR Committee. 	<ul style="list-style-type: none"> Ms Estelle Brachlianoff was appointed as an independent member of the Supervisory Board at the General Meeting of 4 June 2019 and joined the CAG-CSR Committee. 	<ul style="list-style-type: none"> The term of office of Ms Dominique Senequier was renewed at the General Meeting of 4 June 2019.

Attendance

Details of the attendance of members of the CAG-CSR Committee are provided in section 3.4.6.3 "Attendance" above.

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 main duties of the CAG-CSR Committee are as follows:

- tasks relating to compensation (in particular: be consulted on and prepare the Supervisory Board's recommendations to the Executive Management on the terms and conditions of compensation of the members of the Executive Committee, ensure that the compensation of and other commitments made to the Executive Chairmen comply with the Articles of Association and the decisions made by the Active Partner, evaluate the achievement of the indicators comprising the

CSR criterion for the variable compensation of the Executive Chairmen);

- CSR tasks (assist the Supervisory Board in monitoring CSR issues and in monitoring social, non-discrimination and diversity policy);
- governance-related tasks (in particular: manage the annual Supervisory Board evaluation process, recommend, as needed, revisions to corporate governance rules);
- appointment-related tasks (in particular: prepare the Board's proposals to the Active Partner concerning the composition of the Supervisory Board, ensure the existence of succession plans for Corporate Officers and the Chairman of the Supervisory Board).

The details of the various tasks are set out in the Committee's rules of procedure on pages 282 et seq.

Activities of the CAG-CSR Committee in 2019

In 2019, 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. The CAG-CSR Committee was required to examine and/or make recommendations on many subjects, and in particular:

- ♦ to review compliance with the Afep-Medef Code revised in June 2018 of the components of compensation potentially due in the event of the departure of an Executive Chairman;
- ♦ the plan to introduce variable compensation for the Executive Management based on CSR criteria;
- ♦ to present company policy regarding gender equality and equal pay;
- ♦ to review compensation for 2019 of the Hermès International Executive Chairmen and the press release to be put up on the financial website;
- ♦ to review compensation in respect of 2019, bonuses paid in respect of 2018 and target bonuses in respect of 2019 for Executive Committee members;
- ♦ to evaluate 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;
- ♦ three-year formal evaluation of the Supervisory Board to be carried out in 2019 (decision to be taken on whether or not to use an external firm, evaluation process and questionnaire, launch of the evaluation, summary and analysis of findings, areas for improvement);
- ♦ annual review of the succession plan for the Executive Management and the Chairman of the Supervisory Board (in the presence of CAG-CSR Committee members only);
- ♦ annual presentation of sustainable development and corporate social and responsibility issues;
- ♦ non-financial evaluation agencies;
- ♦ end of product life (unsold goods and recycling).

The functioning and work of the CAG-CSR Committee were evaluated in 2019 as part of the three-year formal self-evaluation of the Supervisory Board (see page 247).

3.4.10.2 AUDIT AND RISK COMMITTEE

Composition and functioning of the Audit and Risk Committee at 31 December 2019

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 and updates of the Afep-Medef Code and developments in the regulatory environment.

The Audit and Risk Committee's rules of procedure were updated on 19 March 2019 to 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 284 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 is currently the case.

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 main areas of expertise and experience of the members of the Audit and Risk Committee are presented in the fact sheet concerning them on pages 217 and *seq.*

The Audit and Risk Committee was composed of the following members as of 31 December 2019:

2019 DATA	Personal details	Independence	Specific financial, accounting and risk management skills	Date of appointment	Term of office on the Board	Length of service on the Committee	Attendance
6 MEETINGS – 60% INDEPENDENCE – 40% WOMEN	 Monique Cohen (F) (Chairwoman) Nationality: French 64 years ⁽¹⁾ – 28/07/1956	✓	✓	03/06/2014	2020 GM	5.5 years	100.00%
	Charles-Éric Bauer (M) Nationality: French 56 years ⁽¹⁾ – 09/01/1964		✓	26/01/2005	2022 GM	14.5 years ⁽²⁾	100.00%
	Estelle Brachlianoff (F) Nationality: French 47 years ⁽¹⁾ – 26/07/1972	✓	✓	04/06/2019	2022 GM	0.5 year	66.67%
	Renaud Momméja (M) Nationality: French 58 years ⁽¹⁾ – 20/03/1962		✓	03/06/2008	2020 GM	11.5 years	83.33%
	Alexandre Viros (M) Nationality: Franco-American 42 years ⁽¹⁾ – 08/01/1978	✓	✓	04/06/2019	2021 GM	1 year	100.00%
AVERAGE ATTENDANCE							92.00% ⁽³⁾

(1) The age indicated is determined as of the date of filing of this Universal registration document, i.e. 25 March 2020.

(2) 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).

(3) This figure reflects the average attendance of the members of the Audit and Risk Committee in office as of 31 December 2019, and does not take into account members who left the Committee during the year.

Changes in 2019

Departures	Appointments	Renewals
<ul style="list-style-type: none"> ♦ The term of office 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, expired at the end of the General Meeting of 4 June 2019; ♦ Ms Sharon MacBeath resigned from her office as a member of the Supervisory Board for personal reasons effective 20 March 2019, meaning that she also resigned from her office as a member of the Audit and Risk Committee. 	<ul style="list-style-type: none"> ♦ Ms Estelle Brachlianoff was appointed as an independent member of the Supervisory Board at the General Meeting of 4 June 2019 and joined the Audit and Risk Committee; ♦ Mr Alexandre Viros was appointed as an independent member of the Supervisory Board at the General Meeting of 4 June 2019 and joined the Audit and Risk Committee. 	<ul style="list-style-type: none"> ♦ The term of office of Mr Charles-Éric Bauer was renewed at the General Meeting of 4 June 2019.

Attendance

Details of the attendance of members of the CAG-CSR Committee are provided in section 3.4.6.3 "Attendance" above.

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 (*Code de commerce*) and without prejudice to the powers of the Supervisory Board, which it does not replace, the main duties of the Audit and Risk Committee are as follows:

- ♦ preparing accounting and financial information;
- ♦ auditing accounting and financial information and the Statutory Auditors;
- ♦ control of risk exposure and prevention of corruption.

The details of the duties are set out in the Committee rules of procedure on pages 284 and seq.

In early 2020, the risk factors described on pages 40 and seq. of this Universal registration document were presented in detail to the Audit and Risk Committee. A specific point was made on the methodology used to identify and draft these risk factors, in order to meet the requirements of EU regulation 2017/1129 and Delegated regulation 2019/980 (Annex I, section 3).

Activities of the Audit and Risk Committee in 2019

In 2019, the Audit and Risk Committee dealt in particular with the following subjects:

- ♦ presentation of the 2019 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 2018 incidents;
- ♦ audit and risk management department projection 2018-2023;
- ♦ review of activities related to risk management, audit and internal control in 2018;
- ♦ 2019 audit plan;
- ♦ parent company and consolidated financial statements for the year ended 31 December 2018;
- ♦ 2019 interim consolidated financial statements;
- ♦ presentation of the consensus of financial analysts on the 2018 annual results and the 2019 interim results;
- ♦ review of the press releases on 2018 revenue, 2018 annual results and 2019 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;
- ♦ establishment of new banking relationships;
- ♦ application and impact of IFRS 16;
- ♦ Hermès Commercial risk mapping;
- ♦ compliance: mapping of corruption risks;
- ♦ Hermès Bijouterie risk mapping together with a presentation of the social and environmental risks linked to this *métier*;
- ♦ compliance presentation;
- ♦ Group GDPR program.

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, the Director of Hermès Commercial and his team, the Director of Hermès Bijouterie and her team, the General Counsel Compliance, the Data Protection Officer and the Statutory Auditors.

The functioning and work of the Audit and Risk Committee were evaluated in 2019 as part of the three-year formal self-evaluation of the Supervisory Board (see page 248).

3.5 COMPENSATION AND BENEFITS PAID TO CORPORATE OFFICERS

3.5.1 COMPENSATION POLICY FOR THE EXECUTIVE CHAIRMEN (EXECUTIVE CORPORATE OFFICERS) AND MEMBERS OF THE SUPERVISORY BOARD (NON-EXECUTIVE CORPORATE OFFICERS)

Framework in force in 2019

The provisions resulting from law 2016-1691 of 9 December 2016 relating to transparency, the fight against corruption and the modernisation of economic life (known as "Sapin II"), in particular Articles L. 225-37-2 and L. 225-82-2 of the French Commercial Code relating to:

- ♦ approval by the General Meeting of the principles and criteria for determining, allocating and awarding the fixed, variable and exceptional components of the compensation of Executive Corporate Officers (*ex-ante* vote);
- ♦ approval of the components of compensation paid or allocated in application of the said principles (*ex-post* vote) to executive and non-Executive Corporate Officers;

were not applicable to partnerships limited by shares by virtue of Article L. 226-1 of the same Code, which expressly excludes them.

The Company complied with the recommendations of the Afep-Medef Code (revised in November 2016) by asking the General Meeting to vote *ex-post* on the compensation of the Executive Chairmen, on an advisory basis (see the 2018 registration document – explanatory memorandum on page 372).

The 2018 compensation of the Executive Chairmen was accordingly submitted to a vote of the General Meeting in 2019.

In addition, pursuant to Article L. 225-42-1 of the French Commercial Code, commitments in respect of the Executive Chairmen's deferred compensation (commitments corresponding to compensation, indemnities or benefits due or liable to be due as a result of the termination or change of these functions, or subsequent to these functions, or defined-benefit pension commitments) were subject to the strengthened regulated agreements procedure. These commitments therefore required a decision by the Supervisory Board and approval by the General Meeting in a specific resolution.

System applicable from 2020

Order 2019-1234 of 27 November 2019 created a new mechanism applicable to partnerships limited by shares (*sociétés en commandite par actions*) as regards Senior Executive compensation.

This text comes into force for the Company from the date of the Combined General Meeting of 24 April 2020.

The new system is based on a dual vote by the Ordinary General Meeting and the Active Partner:

- ♦ an initial annual *ex-ante* vote will be taken on the **compensation policy** for Corporate Officers (*i.e.* the Executive Chairmen and members of the Supervisory Board). This policy must set out the principles and criteria, aligned with the interests of the Company, determining the compensation of Corporate Officers. The policy is binding, which means that compensation paid to Corporate Officers is confined to that set out in a previously approved compensation policy.

If a new compensation policy is rejected, the most recent approved policy continues to apply and a revised compensation policy is submitted to the Company's next Ordinary General Meeting. In the absence of a previously approved compensation policy, compensation is determined in accordance with the compensation granted for the previous financial year or, in the absence of compensation granted for the previous financial year, in accordance with existing practices within the Company.

In exceptional circumstances, it is possible to depart from the application of the compensation policy if this departure is temporary, aligned with the corporate interest and necessary to guarantee the Company's continuity or viability;

- ♦ a second *ex-post* vote is taken on the content of the **corporate governance report** setting out the compensation paid or awarded to Corporate Officers during the prior financial year. The content of this report has been expanded to include new disclosures, including equity ratios.

Several resolutions must be presented:

- a resolution on disclosures concerning all compensation paid or awarded to Corporate Officers during or in respect of the prior financial year (*i.e.* the Executive Chairmen, the Chairman of the Supervisory Board and other members of the Board).

If rejected, a revised compensation policy is submitted to the Company's next Ordinary General Meeting. The payment of compensation to Supervisory Board members for the current financial year (formerly termed "directors' fees") is suspended until a revised compensation policy is approved. If the revised compensation policy is rejected, the suspended amounts are not paid and the compensation of the members of the Supervisory Board for the current financial year is suspended,

- a resolution for each Executive Chairman and a resolution for the Chairman of the Supervisory Board concerning the total compensation and benefits of any kind paid during or awarded in respect of the prior financial year (Supervisory Board members are not subject to individual votes). The payment of the variable and exceptional portion of the compensation of the relevant person is subject to the prior approval of the resolution concerning him/her.

3.5.1.1 COMPENSATION POLICY GUIDELINES FOR CORPORATE OFFICERS

Pursuant to paragraph 4 of Article L. 226-8-1-I of the French Commercial Code (*Code de commerce*), resulting from the aforementioned order, we hereby present the compensation policy for Corporate Officers (Executive Chairmen and members of the Supervisory Board).

This policy describes all components of fixed and variable compensation and explains the decision-making process applied for its determination, review and implementation.

The operating rules specific to partnerships limited by shares and the Company's governance system have resulted in the establishment of the compensation policy for Senior Executives (Executive Chairmen) and other Corporate Officers (Supervisory Board members) being entrusted to the Active Partner and the Supervisory Board respectively.

After outlining the general principles applicable to all Corporate Officers, we will present the specific principles of the compensation policy for the Executive Chairmen, then the specific principles of the compensation policy for the members of the Supervisory Board.

The AMF encourages companies adhering to the Afep-Medef Code "to draft separate resolutions for each category of Senior Executive where the principles and criteria for determining, allocating and awarding compensation to each category of Senior Executive are distinct and/or the scope of the vote cast by shareholders is different." (AMF Recommendation 2012-02, section 2.1.8, renewed on 3 December 2019).

In addition, the compensation policy for Corporate Officers will be the subject of two separate resolutions at the General Meeting of 24 April 2020: the first will deal with the compensation policy for the Executive Chairmen and the second with the compensation policy for the members of the Supervisory Board.

Manner in which the compensation policy respects the interests of the Company and contributes to the Company's commercial strategy and sustainability (Article R. 226-1-1, I-1° of the French Commercial Code)

The compensation policies for the Executive Chairmen and Supervisory Board members are aligned with the corporate interest and contribute to the Company's commercial strategy and sustainability for the following reasons:

As regards the Executive Chairmen:

- ♦ since the Company's transformation into a partnership limited by shares, the maximum amount of ("statutory") variable compensation of the Executive Chairmen has been determined by the Articles of Association (Article 17);
- ♦ the maximum amount of ("additional") fixed compensation of the Executive Chairmen and its indexation were determined by the Ordinary General Meeting of 31 May 2001;

- ♦ the compensation of the Executive Chairmen is determined on the basis of clear, quantifiable criteria (notably growth in revenue and change in consolidated net income before tax, as described on page 258 below) that are relevant to its business model and have remained unchanged for a considerable number of years;
- ♦ the variable compensation is subject in part (10%) to a CSR criterion reflecting the Group's firm and ongoing commitments to sustainable development (for the composition of the CSR criterion, see page 258);
- ♦ the composition of compensation is simple and clear – fixed and variable compensation, without resorting to complex deferred compensation mechanisms and without guaranteeing a minimum variable compensation in the event of a poor economic performance by the Company;
- ♦ the Executive Management Board of Émile Hermès SARL sets the actual amount of each Executive Chairman's statutory annual compensation as per the Articles of Association. To this end, it uses the recommendations of the CAG-CSR Committee and in , in addition to the level of achievement of CSR criteria, 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.

As regards the members of the Supervisory Board:

- ♦ the principles governing allocation set out in the compensation policy for members of the Supervisory Board result in amounts being awarded on the basis of the tasks entrusted to them and their attendance at meetings;
- ♦ these principles are periodically reviewed in line with market practices.

Manner in which the conditions of compensation and employment of the Company's employees are taken into account in the decision-making process (Article R. 226-1-1, I-3° of the French Commercial Code (Code de commerce))

The conditions of compensation and employment of the Group's employees are described in chapter 2 of this Universal registration document pages 81 and seq.

With regard more specifically to the conditions governing compensation, Hermès' economic successes are regularly shared with all Group employees, both in France and around the world, in various forms. The aim is to acknowledge the contribution made by employees to the House's development, regardless of their role in the value-creation chain, in order to share the benefits of our growth over the long term.

The Group's policy is to allow its employees to benefit from its long-term growth prospects through various mechanisms:

- ♦ in general, in all the countries where the Company operates, its employees are paid in line with market standards in terms of their total compensation;

- ♦ the Company also offers its employees:
 - employee share ownership plans: such plans have been in place for many years (the first plan dates back to 1993) and acknowledge the contribution made by employees to the House's development, regardless of their role or geographical location, by providing a single component of compensation in order to share the benefits of our growth, enabling employees to identify more closely with decisions having an impact on Hermès' long-term growth,
 - incentive schemes involving employees with the development of locally determined indicators that are relevant with regard to the activity and environment of each of the French subsidiaries, notably quality, safety and productivity,
 - a Group profit-sharing agreement giving all employees of companies in France a share of the Group's profits in a harmonised manner,
 - other mechanisms enabling employees of foreign subsidiaries to benefit from additional compensation adapted to local performance and practices.

The Group's employee compensation policy is ambitious and comprehensive; it incorporates a wide range of compensation tools.

The budget guidelines for wage increases during the annual salary review take account of inflation and changes in local wage markets. Particular attention is paid to gender equality and gaps in relation to the market (internal and external). Specific budgets may be provided if adjustments are necessary.

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 also reflects this commitment.

Measures to avoid or manage conflicts of interest (Article R. 226-1-1, I-2 ° of the French Commercial Code (Code de commerce))

A number of measures have been implemented to prevent possible conflicts of interest:

- ♦ the maximum amount of ("statutory") variable compensation of the Executive Chairmen is determined by the Articles of Association (Article 17);
- ♦ the maximum amount of ("additional") fixed compensation of the Executive Chairmen and its indexation were determined by the Ordinary General Meeting of 31 May 2001;
- ♦ since its creation on 24 March 2010, the CAG-CSR Committee of the Supervisory Board of Hermès International has been tasked each year with 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;
- ♦ changes to the two components of the compensation of Executive Chairmen depend on objective and comprehensible quantifiable qualitative criteria unaltered for many years, that are public and predefined by nature, as described under the heading "Specific compensation policy guidelines for Executive Chairmen" (see page 257);
- ♦ when setting the actual amount of each Executive Chairman's statutory annual compensation under the Articles of Association, the Executive Management Board of Émile Hermès SARL 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 prior financial year, the strategic challenges in respect of the Group's medium- and long-term development and the competitive environment in which it operates;
- ♦ from 2020, the compensation policy for the Executive Chairmen is subject to the advisory opinion of the General Meeting and the actual compensation of the Executive Chairmen is subject to a decision by the Supervisory Board.

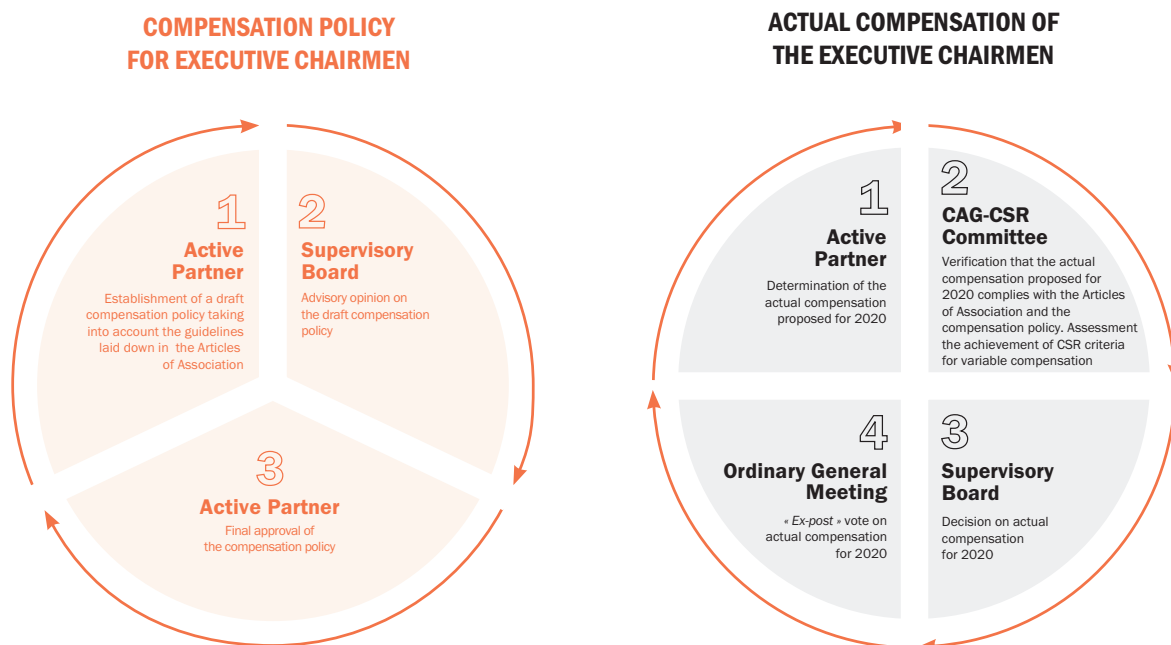
Disclosure methods of the compensation of Corporate Officers

Pursuant to Article R. 226-1-1, V of the French Commercial Code, the compensation policy for Corporate Officers, together with the date and result of the last *ex-ante* vote in the General Meeting, is disclosed on the Company's financial website <https://finance.hermes.com> on the business day following the date of the vote.

Pursuant to Article 26.1 of the Afep-Medef Code updated in January 2020, all potential or vested compensation of the Executive Chairmen is disclosed on the Company's financial website <https://finance.hermes.com> immediately after the meeting of the Executive Management Board of the Active Partner that approved it.

3.5.1.2 SPECIFIC COMPENSATION POLICY GUIDELINES FOR EXECUTIVE CHAIRMEN (EXECUTIVE CORPORATE OFFICERS)

Decision-making process followed for its determination, review and implementation applicable as of the General Meeting of 24 April 2020



Decision-making process for the establishment of the Executive Chairmen's compensation policy

The components of the Executive Chairmen's compensation policy are established by Émile Hermès SARL, Active Partner. The decision is made taking into account the principles and conditions provided for in Article 17 of the Articles of Association with respect to the ("statutory") variable compensation and, by reference to the Articles of Association, the decision of the Ordinary General Meeting of 31 May 2001 with respect to ("additional") fixed compensation.

It is submitted to the Supervisory Board for an advisory opinion.

From 2020, the compensation policy for the Executive Chairmen will be submitted each year to the Ordinary General Meeting for approval (*ex-ante* vote).

Decision-making process for determining actual compensation of the Executive Chairmen

The actual amount of the Executive Chairmen's compensation is determined each year by Émile Hermès SARL, Active Partner, in accordance with the approved compensation policy, which is then submitted to the Supervisory Board for approval.

The CAG-CSR Committee of the Supervisory Board:

- ♦ evaluates the achievement of the indicators comprising the CSR criterion for Executive Chairmen's variable compensation;
- ♦ checks that the actual compensation of the Executive Chairmen complies with the Articles of Association and the compensation policy.

From 2020, the actual overall compensation of Corporate Officers (including that of the Executive Chairmen) and the actual individual compensation of each Executive Chairman will be subject, each year, to approval (and no longer simply, for the Executive Chairmen, to an advisory opinion) by the Ordinary General Meeting (*ex-post* votes).

Changes made to the compensation policy of the Executive Chairmen since the last General Meeting (Article R. 226-1-1, I-5° of the French Commercial Code)

The rate of approval by the General Meeting of 4 June 2019 of the *ex-post* resolutions validating opinions on the components of the compensation due or awarded in respect of the year ended 31 December 2018 was 94.58% for Mr Axel Dumas and 94.38% for Émile Hermès SARL.

With the exception of the incorporation of a CSR criterion into the variable portion from 2019 (see page 265), announced at the General Meeting, of 4 June 2019, no changes have been made to the compensation policy.

Terms of application to newly appointed or reappointed Executive Chairmen (Article R. 226-1-1, I-6° of the French Commercial Code)

The term of office of the Executive Chairmen is indefinite under the terms of the Articles of Association, and is therefore not subject to renewal.

The compensation policy would apply to newly appointed Executive Chairmen on a *pro-rata* basis in accordance with their presence during the first year of their term.

Exceptions to the application of the compensation policy (Article R. 226-1-1, I-7° of the French Commercial Code)

In the event that exceptional circumstances should arise, the Executive Management Board is authorised to temporarily waive the application of the compensation policy used to set the variable compensation of the Executive Chairmen, within the limit authorised by the Articles of Association, and after the favourable opinion of the Supervisory Board.

Specific components of the compensation policy for the Executive Chairmen (Article R. 226-1-1, II of the French Commercial Code)

Pursuant to Articles L. 226-8-1 and R. 226-1-1 of the French Commercial Code, we set out below the specific components comprising the compensation policy for the Executive Chairmen.

When the office is taken up

No such commitment exists.

During their term of office

The term of office of the Executive Chairmen is open-ended. The Executive Chairmen may be dismissed by a decision of the Active Partner.

Annual fixed and variable compensation and respective importance - CSR criterion for variable compensation

In accordance with the principles set out in Article 17 of the Articles of Association, each Executive Chairman is entitled to fixed compensation (referred to as “additional” in the Articles of Association) for which the 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. This compensation 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.

Since 2019, the variable compensation of the two Executive Chairmen has been partially conditioned (10%) on a “CSR” criterion reflecting the Group's stated and constant commitments in respect of sustainable development. The CSR criterion contributes to the objectives of the Executive Chairman's compensation policy.

The indicators making up the CSR criterion relate to the following:

- ♦ decoupling between activity growth at constant scope and exchange rates and changes in industrial energy consumption (quantifiable environmental criterion);
- ♦ actions implemented in favour of the Group's local integration in France and throughout the world, excluding major cities (qualitative societal criterion);
- ♦ Group initiatives in favour of gender balance (qualitative social criterion).

This new way of structuring the variable component of compensation was applied for the first time when evaluating variable compensation owing for 2019, which is measured and paid in 2020 (see page 265).

Not exceeding the maximum amount of the approved compensation policy defined herein, and in accordance with the criteria and targets set out above on page 258, the Executive Management Board of Émile Hermès SARL, Active Partner, sets the actual amount of the annual compensation of each Executive Chairman as follows:

- ♦ target (“statutory”) variable compensation is set by applying the strict variability of the consolidated pre-tax result of variable compensation, 10% of which is conditional on the achievement of the targets making up the CSR criterion (see above);
- ♦ (“additional”) fixed compensation is set by applying the strict variability, upwards only, of revenue to the compensation of the previous financial year;
- ♦ the other components of compensation are set in strict application of the compensation policy for the Executive Chairmen.

The two components of Executive Chairmen compensation are changed according to clear and objective quantifiable criteria, unaltered for many years, that are publicly available and predefined by nature, as described in paragraphs 1 and 2 above.

Thus, no minimum ("statutory") variable compensation is guaranteed for the Executive Chairmen.

The Executive Management Board relies on the recommendations of the CAG-CSR Committee.

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.

The breakdown of the actual compensation of the Executive Chairmen for the last two financial years is shown in Table 2 on page 270. Each year, the CAG-CSR Committee of the Supervisory Board of Hermès International is tasked with ensuring that the Executive Chairmen's compensation is compliant.

No predetermined weighting is applied with respect to fixed and variable compensation, which depend on the components described above.

HISTORY OF FIXED AND VARIABLE COMPENSATION PAID TO EXECUTIVE CHAIRMEN OVER THE LAST THREE FINANCIAL YEARS AND RESPECTIVE IMPORTANCE ¹

Mr Axel Dumas	2019	Proportion (not pre-established)	2018	2017
Fixed compensation (referred to as "additional" in the Articles of Association)	€1,623,378	47.70%	€1,470,773	€1,354,303
Variable compensation (referred to as "statutory" in the Articles of Association) awarded in respect of the previous financial year	€1,780,045	52.30%	€1,622,043	€1,420,353
TOTAL	€3,403,423	100.00%	€3,092,816	€2,774,656

Émile Hermès SARL	2019	Proportion (not pre-established)	2018	2017
Fixed compensation (referred to as "additional" in the Articles of Association)	€551,850	39.93%	€500,000	€500,000
Variable compensation (referred to as "statutory" in the Articles of Association) awarded in respect of the previous financial year	€830,083	60.07%	€756,409	€756,409
TOTAL	€1,381,933	100.00%	€1,256,409	€1,256,409

(1) For further explanation of changes, please refer to page 267.

Methods for evaluating the achievement of performance criteria for variable compensation or share-based compensation (Article R. 226-1-1, paragraph I-4 of the French Commercial Code (Code de commerce))

The variable compensation (referred to as "statutory") of the Executive Chairmen is evaluated in accordance with the change in consolidated net income before tax for the prior financial year compared with the preceding financial year, and conditioned in the proportion of 10% on the achievement of the CSR criterion.

The evaluation of the amount of compensation subject to the CSR criterion is limited to a target of 100%, with no possibility of exceeding that limit.

Each of the three indices mentioned on page 258:

- ♦ shall count as one-third of the CSR criterion;
- ♦ has an annual reference period;
- ♦ is subject to an annual evaluation of their achievement by the CAG-CSR Committee.

Deferred or multi-year variable compensation

The allocation to Executive Chairmen of deferred or multi-year variable compensation is not provided for.

Exceptional compensation

The allocation of exceptional compensation to the Executive Chairmen is not provided for.

Share-based compensation (Article R. 226-1-1, II-2° of the French Commercial Code)

The Executive Chairmen do not currently receive any share-based 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.

The eighteenth and nineteenth resolutions submitted to the Combined General Meeting of 24 April 2020 would make it possible, subject to their approved and if the Executive Chairmen's compensation policy were to change in the future, to grant stock options or performance shares to the Executive Chairmen under the conditions set out in said resolutions (see pages 432 and seq.).

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 with immediate effect when he was appointed Executive Chairman of Hermès International.

Service agreements

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

Under a service 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 Statutory Auditors' special report on pages 440 and seq.

Compensation of Board members (formerly termed "directors' fees") in the Company and the Group's subsidiaries

The Executive Chairmen do not receive any compensation as Board members (formerly termed "directors' fees") paid by the Company or by the subsidiaries of the Group.

Similarly, note that the Group's allocation rules specify that the members of the Executive Committee of Hermès International who are directors in subsidiaries do not receive compensation in that capacity.

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 the annual social security ceiling, 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" variable compensation and "additional" fixed 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*) applicable at that date.

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.

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 criteria for granting severance payments are therefore strictly confined to cases of forced departure.

Moreover, the payment of such compensation is 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.

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”.

As with all employees of the Group:

- ♦ the defined-contribution pension plan is funded as follows: 1.1% for the reference compensation for an amount of 1x the annual social security ceiling (hereunder 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;
- ♦ 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 (€202,620 in 2019).

For information, if Mr Axel Dumas had been able to liquidate his retirement entitlements on 31 December 2019, the estimated maximum gross amount of annual pension under the defined-contribution pension plan would be €6,296.

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”).

This pension plan is not limited to the Executive Chairmen.

In accordance with order no. 2019-697 of 3 July 2019 relating to defined-benefit occupational plans, no new members may join this scheme from 4 July 2019 and no new conditional right to benefits may

be awarded for periods of employment after 31 December 2019. 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 as evaluated at 4 July 2019 given the provisions of the aforementioned order of 3 July 2019, and be eligible to draw pension benefits under the statutory French social security regime. This arrangement may be withdrawn in respect of Mr Axel Dumas by decision of the Supervisory Board.

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 (€324,192 in 2019). 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;
- ♦ lastly, a percentage of the reference compensation, from 0.9% to 1.5% per year of seniority as evaluated at 31 December 2019 given the provisions of the aforementioned order of 3 July 2019, 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 2019, the estimated maximum gross amount of the annual pension under the defined-benefit pension plan would be €65,979.

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

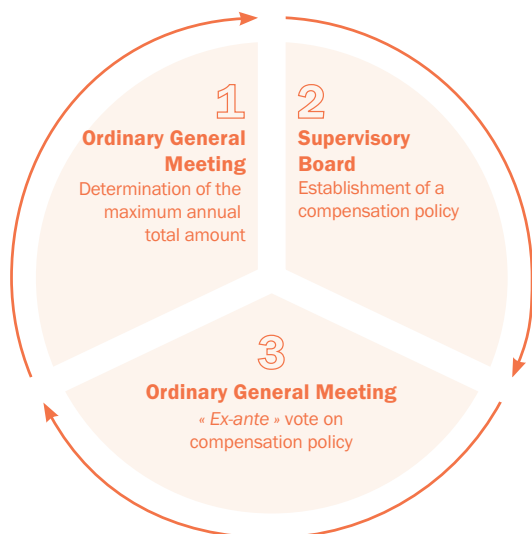
Method of determination at 31/12/2019			
	Voluntary departure (excluding retirement)	Forced departure	Retirement
Severance payment	n/a	Subject to the applicable performance conditions: 24 months' compensation (fixed and variable)	n/a
non-competition payment	n/a	n/a	n/a
Supplementary defined-benefit pension (Article 39 of the French General Tax Code – Article L. 137-11 of the French Social Security Code)	n/a	n/a	Annual pension amount: Number of years of seniority x (0.9% to 1.5%) x average yearly compensation for the last three years The pension will be capped at 8x PASS
Additional defined-contribution pension (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.

3.5.1.3 SPECIFIC PRINCIPLES APPLICABLE TO THE COMPENSATION POLICY FOR MEMBERS OF THE SUPERVISORY BOARD (NON-EXECUTIVE CORPORATE OFFICERS)

Decision-making process followed for its determination, review and implementation, applicable from the General Meeting of 24 April 2020.

COMPENSATION POLICY FOR MEMBERS OF THE SUPERVISORY BOARD

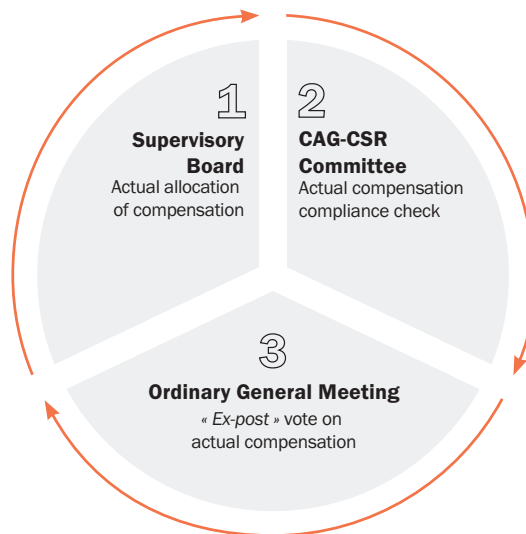


Decision-making process relating to the compensation policy for members of the Supervisory Board

The General Meeting sets the maximum annual total amount of compensation for the Supervisory Board. The components of the compensation policy for Supervisory Board members are established by the Supervisory Board.

The compensation policy for members of the Supervisory Board will be submitted to the Ordinary General Meeting for approval each year from 2020 (ex-ante vote).

ACTUAL COMPENSATION OF MEMBERS OF THE SUPERVISORY BOARD



Decision-making process relating to the actual compensation of members of the Supervisory Board

The actual annual amount of compensation paid to the members of the Supervisory Board is determined by the Supervisory Board at the start of the year in respect of the previous year by applying the compensation policy and taking into account the individual attendance of each member during the previous financial year.

The Supervisory Board's CAG-CSR Committee checks that the actual compensation of Supervisory Board members complies with the total amount set by the General Meeting and the compensation policy for the members of the Supervisory Board.

The actual overall compensation of the Corporate Officers (including that of Supervisory Board members) and the actual individual compensation of the Chairman of the Supervisory Board will be submitted each year from 2020 to the approval of the Ordinary General Meeting (ex-post vote).

Changes to the compensation policy for Supervisory Board members since the last General Meeting (Article R. 226-1-1, I-5° of the French Commercial Code)

No changes have been made to the compensation policy since the last General Meeting.

Terms of application to newly appointed or reappointed members of the Supervisory Board (Article R. 226-1-1, I-6° of the French Commercial Code)

If a member is appointed during the year, the fixed portion is shared between the outgoing member and his or her replacement, and the variable portion is allocated according to attendance at meetings.

The compensation policy applies without interruption to members whose term of office is renewed.

Exceptions provided for by the Supervisory Board (Article R. 226-1-1, I-7° of the French Commercial Code)

There are currently no temporary exceptions from the application of the compensation policy for the Supervisory Board members subject to the occurrence of exceptional circumstances.

Specific components of the compensation policy for the Supervisory Board members (Article R. 226-1-1, II of the French Commercial Code)

Compensation of Supervisory Board and committee members

Supervisory Board members receive compensation in a total amount that is approved by the General Meeting and for which the allocation principles are laid down in the Supervisory Board's compensation policy.

Compensation paid to members of the Audit and Risk Committee and of the CAG-CSR Committee is deducted from the total amount of compensation of the members of the Supervisory Board.

The General Meeting of 6 June 2017 set the maximum annual amount of compensation allocated to the Supervisory Board and its committees at €600,000.

The allocation principles (on a full-year basis) approved by the Board on 6 June 2017 and set out in Article 3.1 of the Board's rules of procedure are as follows:

- ♦ the maximum amounts that may be allocated to each member are set out in the table below;
- ♦ the variable component proportional to actual attendance at meetings has the heaviest weighting; employee representatives on the Supervisory Board do not receive compensation as members of the Board;
- ♦ the variable component proportional to a member's attendance at meetings is calculated by applying to the maximum amount of the variable component the ratio between the number of meetings attended (in the numerator) and the total number of meetings held during the last financial year (in the denominator);
- ♦ No variable component is allocated to the Chairman of the Supervisory Board or the Chairs of the Committees, since they must chair all meetings, unless they are prevented from doing so;
- ♦ the fixed and variable components are determined by the Board at its first meeting of the year following the year for which the compensation is paid.

	Fixed component	Proportion	Variable component proportional to attendance at meetings	Proportion	Total	
SUPERVISORY BOARD						
Chairman	€140,000	100.00%	n/a	n/a	€140,000	100.00%
Vice-Chairmen	€10,000	35.46%	€18,200	64.54%	€28,200	100.00%
Members	€10,000	35.46%	€18,200	64.54%	€28,200	100.00%
Employee representative members	n/a	n/a	n/a	n/a	€0	n/a
CAG-CSR COMMITTEE						
Chairman	€28,000	100.00%	n/a	0.00%	€28,000	100.00%
Members	€5,200	40.00%	€7,800	60.00%	€13,000	100.00%
AUDIT AND RISK COMMITTEE						
Chairman	€28,000	100.00%	n/a	0.00%	€28,000	100.00%
Members	€5,200	40.00%	€7,800	60.00%	€13,000	100.00%

n/a: not applicable.

The allocation principles include a fixed portion (35.46% for the Board and 40.00% for the committees) and a variable portion proportional to actual attendance at meetings (64.54% for the Board and 60.00% for the Specialised committees).

No additional compensation is paid to non-resident Board members.

Employment contract

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 (Chief Accountant of Comptoir Nouveau de la Parfumerie, Hermès Parfums), employee representative on the Supervisory Board until 12 November 2019, Ms Pureza Cardoso (Craftsman – Maroquinerie de Sayat) and Mr Rémy Kroll (Director of Exceptional Sales – Hermès Commercial division), employee representatives on the Supervisory Board since 12 November 2019, have employment contracts with the Hermès Group, and as such receive compensation that has not been granted for the performance of their duties. Consequently, and for reasons of confidentiality, their salaries are not disclosed.

Stock options

No stock options were granted to Supervisory Board members in 2019, nor were any such options exercised by them.

Allocation of free shares

No free shares were awarded to members of the Supervisory Board in 2019, other than to members representing the employees, who were awarded free shares under plans reserved for Group employees.

3.5.2 OVERVIEW OF COMPENSATION AND BENEFITS OF ALL KINDS FOR CORPORATE OFFICERS

In accordance with the provisions of Order 2019-1234 of 27 November 2019, the corporate governance report must present all compensation and benefits of all kinds paid to Corporate Officers during the year or allocated in respect of their duties in 2019.

The report must also:

- ♦ disclose any compensation paid or granted by a company in the scope of consolidation;
- ♦ enable comparison between (i) the compensation of the Executive Corporate Officers (i.e. the Executive Chairmen) and the non-Executive Chairman (i.e. the Chairman of the Supervisory Board) on the one hand, and (ii) the average and median compensation of the Company's employees on the other hand.

This section presents the above-mentioned items, which will be the subject of an *ex-post* vote at the General Meeting of 24 April 2020 (see section 3.5.1).

3.5.2.1 COMPENSATION PAID TO THE EXECUTIVE CHAIRMEN IN THE COURSE OF OR ALLOCATED IN RESPECT OF 2019 (EXECUTIVE CORPORATE OFFICERS) (ARTICLE L. 226-8-2 OF THE FRENCH COMMERCIAL CODE)

All the fixed, variable and exceptional components comprising the total compensation and benefits of any kind paid in the course of or awarded in respect of 2019 to Mr Axel Dumas on the one hand and to Émile Hermès SARL on the other hand, on which the shareholders' binding *ex-post* votes are based, are set out in the explanatory memorandum to the 8th and 9th resolutions to be put to the General Meeting of 24 April 2020 (pages 416).

These components are consistent with the compensation policy for the Executive Chairmen presented in section 3.5.1.2 above.

In accordance with the new framework for Senior Executive compensation created by Order 2019-1234 of 27 November 2019, which comes into force for your company as of the Combined General Meeting of 24 April 2020, these components of compensation will be submitted for shareholder approval for the first time at the said Meeting, and have therefore never previously been the subject of a compensation policy subject to an *ex-ante* vote by the shareholders.

Compensation paid in 2019

All the fixed, variable and exceptional components comprising the total compensation and benefits of any kind paid in the course of 2019 to Mr Axel Dumas on the one hand and to Émile Hermès SARL on the other hand, in respect of their duties as Executive Chairmen, are set out in the explanatory memorandum to the 8th and 9th resolutions to be put to the General Meeting of 24 April 2020 (pages 416).

These components are consistent with the compensation policy for the Executive Chairmen presented in section 3.5.1.2 above.

Compensation awarded in respect of 2019

The variable compensation of the Executive Chairmen "awarded in respect of 2019 must, from 2020, be submitted to the approval of the General Meeting before its payment.

All the fixed, variable and exceptional components comprising the total compensation and benefits of any kind allocated in respect of 2019 to Mr Axel Dumas on the one hand and to Émile Hermès SARL on the other hand, in respect of their duties as Executive Chairmen, are set out in the explanatory memorandum to the 8th and 9th resolutions to be put to the General Meeting of 24 April 2020 (pages 416).

All these components are consistent with the compensation policy for the Executive Chairmen presented in section 3.5.1.2 above.

At its meeting on 24 February 2020, the Active Partner's Executive Management Board set the Executive Chairmen's compensation as presented in the following table:

	Gross annual amount	
	Mr Axel Dumas	Émile Hermès SARL
Fixed compensation for 2020 ("additional" compensation)	€1,824,677	€620,279
Variable compensation allocated for 2019 ("statutory" compensation)	€1,956,269	€912,261
TOTAL	€3,780,946	€1,532,540

As in previous years, the Executive Management Board of the Active Partner takes into account, in its decision, the Group's performance over the past year, the strategic challenges in respect of the Group's medium- to long-term development, the competitive environment in which it operates and the principles of variability contained in the provisions of the Articles of Association set out under the heading "Annual fixed and variable compensation and respective importance" on page 258.

As such, in accordance with these principles, it was decided to modify the compensation of the Executive Chairmen in 2020 on the one hand by strictly applying the variation observed between 2018 and 2019 on the two objective quantifiable criteria that have served as a reference for the compensation of the Executive Chairmen for many years and, on the other hand, by evaluating the achievement of the CSR criterion.

These amounts were submitted to the Supervisory Board for approval at its meeting of 25 February 2020.

Fixed compensation in 2020 ("additional" compensation)

The fixed compensation for 2020 was calculated by applying the change in the Company's consolidated revenue at constant rates for 2019

compared with 2018, i.e. a variation of +12.4%, to the fixed compensation for 2019.

Variable compensation for 2019 ("statutory")

The CAG-CSR Committee evaluated the level of achievement of the CSR criterion applicable to 10% of the variable compensation of the Executive Chairmen at its meeting of 24 February 2020 and noted that the three indicators making up the criterion were fully achieved (see table below).

Consequently, the variable compensation for the financial year 2019 has been calculated by applying the change in the company's consolidated net income before tax for 2019 compared with 2018, i.e. an increase of 9.9%, to the variable compensation paid in 2019 for 2018.

In accordance with Article L. 226-8-2, II of the French Commercial Code (Code de commerce), the payment of this variable compensation is subject to the approval by the Combined General Meeting of 24 April 2020 of the 8th resolution as concerns Mr Axel Dumas and the 9th resolution as concerns Émile Hermès SARL.

CSR criteria indicators	Importance	Level of achievement and justification
Quantifiable environmental criterion: decoupling between activity growth at constant scope and exchange rates and the evolution of industrial energy consumption	1/3	100% Gas and electricity consumption fell between 2018 and 2019, on a 12.4% increase in revenue at constant exchange rates over the same period (no scope effect was taken into account in this calculation).
Qualitative societal criterion: actions implemented in favour of the territorial anchoring of the Group in France and throughout the world, excluding major cities	1/3	100% The Group continued to pursue its ambitious strategy of putting down roots in local communities in 2019, both in France and internationally. Quantifiable environmental criterion. New sites outside major cities factor in the social, societal and environmental aspects of each locality. The Group has a very strong desire to revive these areas by creating both direct and indirect jobs, by forging long-term partnerships with all local actors and stakeholders in order to give life to practical and sustainable municipal and/or regional projects. Construction projects for new sites include a strong environmental ambition.
Qualitative social criterion: Group initiatives in favour of gender balance	1/3	100% 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.

3.5.2.2 COMPENSATION PAID TO THE CHAIRMAN OF THE SUPERVISORY BOARD IN THE COURSE OF OR ALLOCATED IN RESPECT OF 2019

All the fixed, variable and exceptional components comprising the total compensation and benefits in kind paid in the course of or awarded in respect of 2019 to the Chairman of the Supervisory Board, on which the shareholders are asked to give a binding *ex-post* vote, are set out in the explanatory memorandum of the 10th resolution to be put to the General Meeting of 24 April 2020 (page 416).

These components are consistent with the compensation policy for the Chairman of the Supervisory Board presented in section 3.5.1.3 above.

In accordance with the new framework for Senior Executive compensation created by Order 2019-1234 of 27 November 2019, which comes into force for your company as of the Combined General Meeting of 24 April 2020, these components of compensation will be submitted for shareholder approval for the first time at the said meeting, and have therefore never previously been the subject of a compensation policy subject to an *ex-ante* vote by the shareholders.

3.5.2.3 RATIOS AND ANNUAL CHANGE IN COMPENSATION, THE PERFORMANCE OF THE COMPANY, THE AVERAGE COMPENSATION OF EMPLOYEES AND RATIOS (ARTICLE L. 225-37.3 – 6 AND 7 OF THE FRENCH COMMERCIAL CODE (CODE DE COMMERCE))

We present below:

- ♦ 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;
- ♦ 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.

The methodology used, in accordance with the guidelines developed by Afep, is as follows:

- ♦ the notion of full-time equivalent (FTE) reflects a job performed on a full-time basis, i.e. as per legal working hours. As such, for part-time employees, compensation has been reconstituted on a full-time basis;
- ♦ based on the INSEE definition, the median wage is that which splits the Company's employees into two equal parts, such that half of the employees of the company in question earn less and the other half

earn more. It differs from the average wage, which is the average of all wages in the company in question;

- ♦ the numerator shows the gross compensation (excluding social security contributions) and benefits of all kinds paid to each Executive Chairman during the financial year, i.e.:
 - the fixed ("additional") compensation paid during the year under review,
 - the ("statutory") variable compensation paid during the year under review in respect of the prior year,
 - the exceptional compensation paid, if any, during the year under review,
 - other long-term compensation instruments and multi-year variable compensation paid, where applicable, during the year under review (taken at their IFRS value), , less an annual amount depending on the length of the vesting period(s),
 - benefits in kind (valued);
- ♦ the denominator shows the gross compensation (excluding social security contributions) of employees (continuously present in the year under review between 1 January and 31 December) of Hermès International paid during the year, i.e.:
 - the fixed compensation paid during the year under review,
 - the variable compensation paid during the year under review in respect of the prior year,
 - the exceptional compensation paid, if any, during the year under review,
 - other long-term compensation instruments, in particular grants of free shares, when the rights were allocated or were vesting during the current financial year; measured at their IFRS value, less an annual amount depending on the length of the vesting period(s),
 - employee savings: profit-sharing and incentive schemes,
 - benefits in kind (valued);
- ♦ the following are excluded from the numerator and denominator:
 - severance payments and non-compete payments, which do not constitute recurring compensation,
 - defined-contribution supplementary pension plan (Article 83 of the French General Tax Code), which is a post-employment benefit,
 - the defined-benefit supplementary pension plan (Article 39 of the French General Tax Code), which cannot be valued insofar as payment is conditional on the completion of the beneficiary's career in the Company.

With regard to the Company's performance, it was decided to use the consolidated revenue (at constant rates) and the consolidated income before tax, which serve as a reference for the compensation of the Executive Chairmen and which are performance criteria that are particularly relevant to the Group's business model.

RATIOS AND ANNUAL CHANGE IN COMPENSATION, THE PERFORMANCE OF THE COMPANY, THE AVERAGE COMPENSATION OF EMPLOYEES AND RATIOS

MR AXEL DUMAS	2019	2018	2017	2016	2015
Change in compensation compared with the previous financial year	10.0%	11.5%	8.6%	12.7%	8.0%
Ratio with average compensation	18	18	16	16	16
<i>Change compared with the previous financial year</i>	<i>0 point</i>	<i>+2 points</i>	<i>0 point</i>	<i>0 point</i>	<i>1 point</i>
Ratio with median compensation	38	35	32	31	28
<i>Change compared with the previous financial year</i>	<i>+3 points</i>	<i>+3 points</i>	<i>+1 point</i>	<i>+3 points</i>	<i>+2 points</i>

ÉMILE HERMÈS SARL	2019	2018	2017	2016	2015
Change in compensation compared with the previous financial year	10.0%	0.0%	0.0%	(71.8)%	9.0%
Ratio with average compensation	7	7	7	8	32
<i>Change compared with the previous financial year</i>	<i>0 point</i>	<i>0 point</i>	<i>(1) point</i>	<i>(24) points</i>	<i>+2 points</i>
Ratio with median compensation	15	14	14	15	55
<i>Change compared with the previous financial year</i>	<i>+1 point</i>	<i>0 point</i>	<i>(1) point</i>	<i>(40) points</i>	<i>+4 points</i>

MR ÉRIC DE SEYNES	2019	2018	2017	2016	2015
Change in compensation compared with the previous financial year	0.0%	0.0%	40.0%	0.0%	0.0%
Ratio with average compensation	1	1	1	1	1
<i>Change compared with the previous financial year</i>	<i>0 point</i>	<i>0 point</i>	<i>0 point</i>	<i>0 point</i>	<i>0 point</i>
Ratio with median compensation	2	2	2	1	1
<i>Change compared with the previous financial year</i>	<i>0 point</i>	<i>0 point</i>	<i>+1 point</i>	<i>0 point</i>	<i>0 point</i>

COMPANY EMPLOYEES	2019	2018	2017	2016	2015
Change in the average compensation compared with the previous financial year	10.4%	1.1%	8.3%	13.9%	1.6%

GROUP PERFORMANCE	2019	2018	2017	2016	2015
Change in consolidated revenue at constant rates	12.4%	10.4%	8.6%	7.4%	8.1%
Change in consolidated net income before tax	9.9%	9.7%	14.2%	9.7%	17.6%

Explanatory notes on the Executive Chairmen

For the reasons set out on page 156 of the 2017 registration document, the compensation for Executive Chairmen was revised in 2017.

Explanatory notes relating to the Chairman of the Supervisory Board

For the reasons mentioned on page 156 of the 2017 registration document, the fixed compensation of the Chairman of the Supervisory Board was reevaluated in 2017.

Explanatory notes on the employees

The changes for the five financial years presented in the above tables take into account the overall change in the total payroll, and for some financial years, notably 2015 and 2018, changes in scope.

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, section 2.2 "People-Teams" of this Universal registration document.

3.5.3 COMPENSATION OF THE SUPERVISORY BOARD, AUDIT AND RISK COMMITTEE AND CAG-CSR COMMITTEE ALLOCATED IN 2020 FOR 2019

Table 3 on pages 271 details compensation awarded to and received by 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.

3.5.4 ALLOCATION OF FREE SHARES AND STOCK OPTIONS

3.5.4.1 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 on page 81, section 2.2 "People-Teams".

3.5.4.2 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 2019.

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 277.

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.

Using this authorisation, the Executive Management awarded shares under general and selective plans in 2019, it being specified that Mr Axel Dumas, sole natural person serving as Executive Chairman, was not awarded any free shares under either of these plans.

In table No. 9.1 on page 274, 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 No. 9.2 on page 275, details of the free shares granted to the top ten 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 and 2019 were subject to 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 (Articles 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 page 293 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 33, page 340).

3.5.4.3 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 2019. As shown in the table N° 8.1 on page 274, no stock option plans existed at 31 December 2019.

3.5.4.4 STOCK SUBSCRIPTION OPTIONS

All subscription option plans lapsed in 2009. No authorisation from the General Meeting allows the Executive Management to grant subscription options.

3.5.5 TABLES REQUIRED BY THE AFEP-MEDEF CODE FOR THE PRESENTATION OF CERTAIN COMPONENTS OF COMPENSATION

You will find below the standardised presentation of all components of compensation provided for by annex 4 of the Afep-Medef Code (updated in January 2020).

The variable compensation of the Executive Chairmen awarded in respect of 2019 must, from 2020, be submitted to the approval of the General Meeting before its payment.

Consequently, Table 1 shows the amounts paid during the financial year and Table 2 shows the amounts paid during the year and awarded in respect of the financial year.

TABLE 1

Table summarising compensation paid and options and shares allocated to each Executive Chairman during the financial year

	2019	2018
	From 01/01/2019 to 31/12/2019	From 01/01/2018 to 31/12/ 2018
Mr Axel Dumas		
Compensation paid during the financial year (detailed in Table 2)	€3,403,423	€3,092,816
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
TOTAL	€3,403,423	€3,092,816
Total natural person as Executive Chairmen	€3,403,423	€3,092,816
	From 01/01/2019 to 31/12/2019	From 01/01/2018 to 31/12/2018
Émile Hermès SARL		
Compensation paid during the financial year (detailed in Table 2)	€1,381,933	€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
TOTAL	€1,381,933	€1,256,409
Total legal entity as Executive Chairmen	€1,381,933	€1,256,409

n/a: not applicable.

TABLE 2

Table summarising the compensation of each Executive Chairman ¹

	2020	2019	2018
Gross annual compensation of Executive Chairmen		Amounts	Amounts paid
Mr Axel Dumas			
Fixed compensation paid during the financial year (referred to as "additional" in the Articles of Association)	€1,824,677	€1,623,378	€1,470,773
Variable compensation (referred to as "statutory" in the Articles of Association) awarded for the previous financial year	€1,956,269 (2) of which (10%) in respect of achievement of the CSR criterion	€1,780,045	€1,622,043
Exceptional compensation		-	-
Total compensation	€3,780,946	€3,403,423	€3,092,816
Compensation of Board members	n/a	n/a	n/a
Benefits in kind	Representation	Representation	Representation
Émile Hermès SARL			
Fixed compensation paid during the financial year (referred to as "additional" in the Articles of Association)	€620,279	€551,850	€500,000
Variable compensation (referred to as "statutory" in the Articles of Association) awarded for the previous financial year	€912,261 (3) of which (10%) in respect of achievement of the CSR criterion	€830,083	€756,409
Exceptional compensation		-	-
Total compensation	€1,532,540	€1,381,933	€1,256,409
Directors' fees	n/a	n/a	n/a
Benefits in kind	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 416 and seq.
- (2) Amounts awarded in 2020, the payment of which is subject to the approval of shareholders (8th resolution) at the General Meeting of 24 April 2020. Other compensation and benefits paid in 2020 will be set out in the 2020 Universal registration document published in 2021.
- (3) Amounts awarded in 2020, the payment of which is subject to the approval of shareholders (9th resolution) at the General Meeting of 24 April 2020. Other compensation and benefits paid in 2020 will be set out in the 2020 Universal Registration Document published in 2021.

TABLE 3

Table of compensation received by Supervisory Board members

	Amounts awarded for 2019 and paid in 2020	Amounts awarded for 2018 and paid in 2019
Total amount of 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	€574,868	€575,230
Mr Éric de Seynes		
Compensation of the Chairman of the Supervisory Board	€140,000	€140,000
Compensation as member of the Hermès Sellier Management Board	€3,000 ¹	€3,000
Ms Monique Cohen		
Compensation as member of the Supervisory Board	€28,200	€25,925
♦ fixed component	€10,000	€10,000
♦ variable component based on attendance	€18,200	€15,925
Compensation of the Chairwoman of the Audit and Risk Committee	€28,000	€28,000
Ms Dominique Senequier		
Compensation as member of the Supervisory Board	€25,925	€23,650
♦ fixed component	€10,000	€10,000
♦ variable component based on attendance	€15,925	€13,650
Compensation of the Chairwoman of the CAG-CSR Committee	€28,000	€28,000
Mr Frédéric Afriat (Employee representative)		
Compensation as member of the Supervisory Board	n/a	n/a
Ms Dorothée Altmayer		
Compensation as member of the Supervisory Board	€28,200	€28,200
♦ fixed component	€10,000	€10,000
♦ variable component based on attendance	€18,200	€18,200
Compensation as Director of Comptoir Nouveau de la Parfumerie	€2,250 ¹	€3,000
Mr Charles-Éric Bauer		
Compensation as member of the Supervisory Board	€28,200	€23,650
♦ fixed component	€10,000	€10,000
♦ variable component based on attendance	€18,200	€13,650
Compensation of the Audit and Risk Committee members	€13,000	€11,700
♦ fixed component	€5,200	€5,200
♦ variable component based on attendance	€7,800	€6,500
Ms Estelle Brachlianoff		
Compensation as member of the Supervisory Board (appointed 04/06/2019)	€16,375	n/a
♦ fixed component	€5,000	-
♦ variable component based on attendance	€11,375	-
Compensation as member of the Audit and Risk Committee (appointed 04/06/2019)	€5,200	n/a
♦ fixed component	€2,600	-
♦ variable component based on attendance	€2,600	-
Compensation as member of the CAG-CSR Committee (appointed 4/06/2019)	€5,943	n/a
♦ fixed component	€2,600	-
♦ variable component based on attendance	€3,343	-
Ms Pureza Cardoso (Employee representative)		
Compensation as member of the Supervisory Board	n/a	n/a
Mr Matthieu Dumas		
Compensation as member of the Supervisory Board	€28,200	€28,200
♦ fixed component	€10,000	€10,000
♦ variable component based on attendance	€18,200	€18,200
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
Compensation as Director of Comptoir Nouveau de la Parfumerie	€2,250 ¹	€3,000
Mr Blaise Guerrand		
Compensation as member of the Supervisory Board	€28,200	€28,200
♦ fixed component	€10,000	€10,000

	Amounts awarded for 2019 and paid in 2020	Amounts awarded for 2018 and paid in 2019
♦ <i>variable component based on attendance</i>	€18,200	€18,200
Compensation as member of the Hermès Sellier Management Board	€3,000 ¹	€3,000
Ms Julie Guerrand		
Compensation as member of the Supervisory Board	€28,200	€28,200
♦ <i>fixed component</i>	€10,000	€10,000
♦ <i>variable component based on attendance</i>	€18,200	€18,200
Ms Olympia Guerrand		
Compensation as member of the Supervisory Board	€23,650	€28,200
♦ <i>fixed component</i>	€10,000	€10,000
♦ <i>variable component based on attendance</i>	€13,650	€18,200
Compensation as member of the Hermès Sellier Management Board	€3,000 ¹	€3,000
Mr Rémy Kroll (Employee representative)		
Compensation as member of the Supervisory Board	n/a	n/a
Ms Sharon MacBeath		
Compensation as member of the Supervisory Board (until 20/03/2019)	€9,550	€28,200
♦ <i>fixed component</i>	€5,000	€10,000
♦ <i>variable component based on attendance</i>	€4,550	€18,200
Compensation as member of the Audit and Risk Committee (until 20/03/ 2019)	€6,500	€13,000
♦ <i>fixed component</i>	€2,600	€5,200
♦ <i>variable component based on attendance</i>	€3,900	€7,800
Compensation as member of the CAG-CSR Committee (until 20/03/2019)	€5,943	€13,000
♦ <i>fixed component</i>	€2,600	€5,200
♦ <i>variable component based on attendance</i>	€3,343	€7,800
Mr Renaud Momméja		
Compensation as member of the Supervisory Board	€28,200	€28,200
♦ <i>fixed component</i>	€10,000	€10,000
♦ <i>variable component based on attendance</i>	€18,200	€18,200
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
Compensation as Director of Comptoir Nouveau de la Parfumerie	€2,250 ¹	€3,000
Mr Robert Peugeot		
Compensation as member of the Supervisory Board (until 04/06/2019)	€9,550	€25,925
♦ <i>fixed component</i>	€5,000	€10,000
♦ <i>variable component based on attendance</i>	€4,550	€15,925
Compensation as member of the Audit and Risk Committee (until 04/06/2019)	€5,200	€10,400
♦ <i>fixed component</i>	€2,600	€5,200
♦ <i>variable component based on attendance</i>	€2,600	€5,200
Compensation as member of the CAG-CSR Committee (until 04/06/2019)	€7,057	€9,880
♦ <i>fixed component</i>	€2,600	€5,200
♦ <i>variable component based on attendance</i>	€4,457	€4,680
Mr Alexandre Viros		
Compensation as member of the Supervisory Board (appointed 04/06/2019)	€16,375	n/a
♦ <i>fixed component</i>	€5,000	-
♦ <i>variable component based on attendance</i>	€11,375	-
Compensation as member of the Audit and Risk Committee (appointed 04/06/2019)	€6,500	n/a
♦ <i>fixed component</i>	€2,600	-
♦ <i>variable component based on attendance</i>	€3,900	-

n/a: not applicable.

(1) Subject to the decisions of the Company Boards concerned.

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	n/a
TOTAL	n/a	n/a	n/a	n/a	n/a	n/a

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
TOTAL	n/a	n/a	n/a

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
TOTAL	n/a	n/a	n/a	n/a	n/a	n/a

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	n/a	0	n/a
Total		0	n/a

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 (6th resolution) – Subscription or purchase options	Plans 1 to 4 expired
General Meeting of 03/06/2003 (15th resolution) – Purchase options	Plans 5 and 6 expired
General Meeting of 06/06/2006 (9th resolution) – Purchase options	Plan No. 7 expired
General Meeting of 02/06/2009 (14th resolution) – Purchase options	No plan implemented in 2009, 2010 or 2011
General Meeting of 30/05/2011 (21st resolution) – Purchase options	No plan implemented in 2011 or 2012
General Meeting of 29/05/2012 (13th resolution) – Purchase options	No plan implemented in 2012 or 2013
General Meeting of 04/06/2013 (18th resolution) – Purchase options	No plan implemented in 2013 or 2014
General Meeting of 03/06/2014 (16th resolution) – Purchase options	No plan implemented in 2014 or 2015
General Meeting of 02/06/2015 (14th resolution) – Purchase options	No plan implemented in 2015 or 2016
General Meeting of 31/05/2016 (14th resolution) – Purchase options	No plan implemented in 2016, 2017, 2018 or 2019

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 1 to 7 expired
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)

History of free share and performance share plans still in force on 1 January 2019
Information on performance shares

DATE OF AUTHORISATION BY THE EXTRAORDINARY GENERAL MEETING	30/05/2011 (29 th resolution)	31/05/2016 (15 th resolution)	31/05/2016 (15 th resolution)	31/05/2016 (15 th resolution)	31/05/2016 (15 th resolution)	31/05/2016 (15 th resolution)
Date of the decision by the Executive Management	15/05/2012 (plan d)	31/05/2016 (plan f)	31/05/2016 (plan g.1)	01/03/2017 (plan g.2)	01/07/2019 (plan h)	01/07/2019 (plan i)
Total number of shares awarded ¹	515,280	452,960	353,100	1,400	310,944 ²	189,600 ²
Shares allocated to Senior Executives ³	420	320	29,000	0	192	24,000
Number of Senior Executives ³ concerned	7	8	8	0	8	8
Share related to capital of allocations of shares to Senior Executives	n.m.	n.m.	0.028%	0.00%	n.m.	0.02%
French tax residents on the grant date:	3 tranches of 20 shares	2 tranches of 20 shares			2 tranches of 12 shares	
Vesting period	4/5/6 years	4/5 years	4 years	3 years and 3 months	4/5 years	4 years
Date of transfer of ownership of shares	16/05/2016 16/05/2017 16/05/2018	01/06/2020 01/06/2021	01/06/2020	01/06/2020	03/07/2023 01/07/2024	03/07/2023
End of the holding period	17/05/2018	n/a	n/a	n/a	n/a	n/a
Tax residents outside France on the grant date:	3 tranches of 20 shares	2 tranches of 20 shares			2 tranches of 12 shares	
Vesting period	6/7/8 years	4/5 years	4 years	3 years and 3 months	4 years	4/5 years

**DATE OF AUTHORISATION BY
THE EXTRAORDINARY
GENERAL MEETING**

	30/05/2011 (29th resolution)	31/05/2016 (15th resolution)	31/05/2016 (15th resolution)	31/05/2016 (15th resolution)	31/05/2016 (15th resolution)	31/05/2016 (15th resolution)
Date of transfer of ownership of shares	16/05/2018 16/05/2019 16/05/2020	01/06/2020 01/06/2021	01/06/2020	01/06/2020	03/07/2023 01/07/2024	03/07/2023
End of the holding period	n/a	n/a	n/a	n/a	n/a	n/a
Performance conditions	No	No	Yes	Yes	No	Yes
Number of shares vested ⁴ at 31/12/2019	363,740	1,040	1,400	0	0	0
Number of shares lost at 31/12/2019	114,580	69,520	14,900	0	2,304	0

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

(1) Maximum.

(2) At the end of the employee acceptance period.

(3) Are considered to be Senior Executives: Executive Chairmen, members of the Supervisory Board and members (except employees representatives) of the Executive Committee of the issuer on the grant date.

(4) 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)	27,240	01/07/2019 (plans h et i)

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 cessation or change of duties ¹	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 ²	Yes	Yes	No

(1) The details of these commitments are shown on pages 260 and seq.

(2) Since 5 June 2013.

3.6 OTHER INFORMATION

3.6.1 REPORT ON REGULATED AGREEMENTS

Information on related-party agreements and the status of current agreements is presented in the report of the Supervisory Board to the General Meeting page 437.

3.6.2 AGREEMENTS ENTERED INTO BETWEEN SENIOR EXECUTIVES OR SHAREHOLDERS OF THE COMPANY AND THE CONTROLLED COMPANIES (ARTICLE L. 225-37-4, 2° OF THE FRENCH COMMERCIAL CODE)

Pursuant to the provisions of Article L. 225-37-4, 2° of the French Commercial Code, as amended by law 2019-486 of 22 May 2019 (the "Pacte" law), this report must disclose any agreements entered into, directly or through an intermediary, between, on the one hand, an Executive Chairman, a member of the Supervisory Board or one of the shareholders holding more than 10% of the voting rights of the Company and, on the other hand, another company controlled by said other party within the meaning of Article L. 233-3 of the French Commercial Code.

These are not related-party agreements subject to prior approval by the Supervisory Board, as Hermès International is not a party to the agreement. Agreements entered into with a wholly owned subsidiary are not excluded (Order 2014-863 of 31 July 2014 relating to Company law).

We hereby inform you that no such agreements were entered into during the year ended 31 December 2019.

3.6.3 PROCEDURE FOR MONITORING ONGOING AND STANDARD AGREEMENTS AND IMPLEMENTATION

Pursuant to the provisions of Article L. 225-39 of the French Commercial Code, as amended by law 2019-486 of 22 May 2019 (the "Pacte" law), the Company has established a procedure to regularly evaluate whether agreements relating to ordinary transactions and entered into on an arm's length basis meet these conditions.

Procedure

This procedure, which applies only to Hermès International and not to its subsidiaries, was approved by the Supervisory Board on 25 February 2020.

Its purpose is to enable Hermès International to periodically evaluate the appropriateness of the classification used for ongoing agreements entered into during the year, those that continue over several years, and any agreements that are modified.

An "Ongoing Agreements Committee" tasked with conducting the evaluation has been established; it comprises at least the following members:

- ◆ a representative of the legal, corporate law and securities law department;
- ◆ a representative of the finance department.

The procedure first entails the presentation of:

- ◆ the notion of agreements bearing on ongoing transactions entered into on an arm's length basis and transactions deemed to be ongoing and entered into on an arm's length basis within the Hermès Group;
- ◆ the notions of regulated and prohibited agreements, the roles and responsibilities related to the identification of regulated agreements and the control and disclosure procedure applicable to them.

Then, the procedures for the regular evaluation of agreements relating to ongoing transactions concluded on an arm's length basis are described:

- ◆ periodicity of the evaluation;
- ◆ nature of the work required to carry out the evaluation;
- ◆ consequences of the evaluation;
- ◆ report to the Supervisory Board and follow-up.

Implementation

As of the date of filing of this Universal registration document, the Ongoing Agreements Committee had not yet conducted an evaluation.

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

Information on equity and shareholding is presented on page 388.

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 382);
- ◆ 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 398.

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

3.6.5 SPECIAL CONDITIONS FOR ATTENDING GENERAL MEETINGS

General Meetings are convened, except in exceptional circumstances, as provided for by law and Article 24 of the Articles of Association (see page 386).

Double voting rights are allocated under the conditions set out in Article 12 of the Articles of Association (see page 381).

In the event that a legal (Articles L. 233-7 of the French Commercial Code and 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 380) 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.

3.6.6 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 2019 financial year, as applicable.

Date of General Meeting	Delegations valid in 2019	Duration of the authorisation (expiry)	Individual limit of each authorisation	Limit common to several authorisations	Use in 2019
Resolution number (nature of delegation)			Maximum nominal amount to be issued immediately and/or in future % of the share capital at the date of the meeting		
Stock options/free shares					
31 May 2016	14 (grant of stock options)	38 months (31 July 2019)	2%	2%	None
31 May 2016	15 (free grants of existing ordinary shares)	38 months (31 July 2019)	2%		See pages 391, 274 and 275
Purchase/cancellation of shares					
5 June 2018	6 (share purchase)	18 months (5 December 2019) ¹	10%		See page 393
5 June 2018	13 (cancellation of shares)	24 months (5 June 2020) ¹	10%		None
4 June 2019	6 (share purchase)	18 months (4 December 2020) ²	10%		See page 393
4 June 2019	13 (cancellation of shares)	24 months (4 June 2021) ²	10%		None

Date of General Meeting	Delegations valid in 2019	Duration of the authorisation (expiry)	Individual limit of each authorisation	Limit common to several authorisations	Use in 2019
Resolution number (nature of delegation)			Maximum nominal amount to be issued immediately and/or in future % of the share capital at the date of the meeting		
Equity securities					
6 June 2017	18 (capital increase by incorporation of reserves)	26 months (6 August 2019)	40%	40%	None
6 June 2017	19 (issue with maintenance of preferential subscription rights)	26 months (6 August 2019)	40%		None
6 June 2017	20 (issue with elimination of preferential subscription rights)	26 months (6 August 2019)	40%		None
6 June 2017	21 (capital increase reserved for members of a company or Group savings plan)	26 months (6 August 2019)	1%		None
6 June 2017	22 (issue by private placement)	26 months (6 August 2019)	20% per year		None
6 June 2017	23 (issue to compensate contributions in kind)	26 months (6 August 2019)	10%	40%	None
4 June 2019	15 th resolution (capital increase by incorporation of reserves)	26 months (4 August 2021)	40%		None
4 June 2019	16 th resolution (issue with maintenance of preferential subscription rights)	26 months (4 August 2021)	40%		None
4 June 2019	17 th resolution (issue with elimination of preferential subscription rights)	26 months (4 August 2021)	40%		None
4 June 2019	18 th resolution (capital increase reserved for members of a company or Group savings plan)	26 months (4 August 2021)	1%		None
4 June 2019	19 th resolution (issue by private placement)	26 months (4 August 2021)	20% per year		None
4 June 2019	20 th resolution (issue to compensate contributions in kind)	26 months (4 August 2021)	10%		None
Debt securities			Maximum nominal amount		
6 June 2017	19 (issue with maintenance of preferential subscription rights)	26 months (6 August 2019)	€1,000 million	€1,000 million	None
6 June 2017	20 (issue with elimination of preferential subscription rights)	26 months (6 August 2019)	€1,000 million		None
6 June 2017	21 (issue by private placement)	26 months (6 August 2019)	€1,000 million		None
6 June 2017	22 (issue to compensate contributions in kind)	26 months (6 August 2019)	€1,000 million		None
4 June 2019	16 th resolution (issue with maintenance of preferential subscription rights)	26 months (4 August 2021)	€1,000 million	€1,000 million	
4 June 2019	17 th resolution (issue with elimination of preferential subscription rights)	26 months (4 August 2021)	€1,000 million		None
4 June 2019	19 th resolution (issue by private placement)	26 months (4 August 2021)	€1,000 million		None
4 June 2019	20 th resolution (issue to compensate contributions in kind)	26 months (4 August 2021)	€1,000 million		None

- (1) These authorisations were cancelled, for the remaining duration and for the unused fraction, by delegations of the same nature authorised by the General Meeting of 4 June 2019.
- (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 24 April 2020.

3.7 ANNEXES

3.7.1 SUPERVISORY BOARD RULES OF PROCEDURE

Entered into force on 18 March 2009 – Version No. 13 modified on 4 June 2019

Purpose

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

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

1. Supervisory Board

1.1 Composition of the Board

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

All Board members must own 100 Hermès International registered shares during the year in which they are appointed. The compensation of Board members 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 updated in 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 expression

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

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

1.1.3.6 Independence, business relationships and conflicts of interest

Members of the Supervisory Board shall endeavour to avoid any possible conflict between their moral and material interests and those of the Company. They shall inform the Supervisory Board of any conflicts of interest in which they might be involved. In cases where a conflict of interest cannot be avoided, they shall 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;
- ♦ each year when the universal 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 specialised committees constituted within it. They shall make any recommendation which they believe may improve the operational methods of the Board, particularly at the time of its periodic evaluation. They agree to be evaluated 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 Supervisory Board meetings****1.2.1.1 Calendar**

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

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

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

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

1.2.1.2 Attendance by persons who are not Board members

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

Persons who are not Board members, and members of the Executive Committee and the 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 evaluating the usefulness of the documents requested.

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

1.2.3 Training of Board members

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

1.2.4 Supervisory Board assignments 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 Other Supervisory Board assignments

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 Shareholder dialogue

At its meeting of 20 March 2018 the Supervisory Board tasked its Chairman (without any additional compensation) with the following:

- ♦ explaining the positions taken by the Supervisory Board in its areas of competence (particularly with regard to governance and Senior 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 evaluation of the Board by its members

The Board regularly conducts an evaluation of its performance, covering the various points of its mission and commitments. This self-evaluation 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 work 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 evaluated and any applicable recommendations for improving performance are made.

2. Specialised committees of the Supervisory Board

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

Two committees have been created to date:

- ♦ the Audit Committee on 26 January 2005, 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".

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

The principles governing distribution (on a full year basis) are as follows:

- ♦ a fixed compensation component of €140,000 for the Chairman of the Board with no variable component as the Chairman attends all meetings;
- ♦ a fixed component of €10,000 and a variable component based on attendance of €18,200 for each Vice-Chairman of the Board;
- ♦ a fixed component of €10,000 and a variable component based on attendance of €18,200 for other Board members;
- ♦ a fixed component of €28,000 and no variable component for the Chairmen of the Audit and Risk and CAG-CSR Committees;
- ♦ a fixed component of €5,200 and a variable component based on attendance of €7,800 for other members of the Audit and Risk and CAG-CSR Committees;
- ♦ if a member is appointed during the year, the outgoing member and his or her replacement share the fixed component and the variable component is allotted based on attendance at meetings;
- ♦ members of Hermès International's Executive Committee do not receive compensation as members of the Supervisory Board;
- ♦ employee representatives on the Supervisory Board do not receive compensation as members of the Supervisory Board.

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

Annex: Articles 18, 19, 20 of the Articles of Association (see pages 383 to 385)

3.7.2 CAG-CSR COMMITTEE RULES OF PROCEDURE

Entered into force on 24 March 2010 – Version No. 7 modified on 16 November 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 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	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 and environmental responsibility:

- ◆ assist the Supervisory Board in monitoring matters relating to CRS in order that the Hermès Group better anticipate associated opportunities, issues and risks;
- ◆ 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 provided to the CAG-CSR Committee

The CAG-CSR Committee is provided with 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-evaluation of the CAG-CSR Committee

The CAG-CSR Committee regularly evaluates its performance, covering the points of its assignments and its commitment by means of an evaluation matrix.

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

3.7.3 AUDIT AND RISK COMMITTEE RULES OF PROCEDURE

Entered into force on 24 March 2010 – Version No. 5 modified on 19 March 2019

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 provided to 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-evaluation of the Audit and Risk Committee

The Audit and Risk Committee regularly evaluates its performance in conjunction with the self-evaluation of the Board. The members of the Audit and Risk Committee are specifically called on anonymously through a self-evaluation 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 evaluated and any applicable recommendations for improving performance are made.

OTHER INFORMATION FROM THE EXECUTIVE MANAGEMENT'S REPORT**3.8 INTERESTS OF CORPORATE OFFICERS AND EXECUTIVE COMMITTEE MEMBERS IN THE SHARE CAPITAL**

In accordance with point 16.1 of Annex 1 to Commission Delegated Regulation (EU) 2019/980, the direct interests of Senior Executives in the Company's share capital at 31 December 2019, as reported to the Company, were as follows.

	Shares in full ownership or with usufruct ¹ (Ordinary General Meeting votes on the allocation of net income)				Shares in full or bare ownership ¹ (other General Meeting votes)			
	Number of shares	%	Number of votes	%	Number of shares	%	Number of votes	%
SHARE CAPITAL AT 31/12/2019	105,569,412	100.00%	176,746,892	100.00%	105,569,412	100.00%	176,746,892	100.00%
Executive Chairmen								
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%
Members of the Supervisory Board								
Éric de Seynes	203	0.00%	406	0.00%	203	0.00%	406	0.00%
Dorothee Altmayer	200	0.00%	230	0.00%	200	0.00%	230	0.00%
Charles-Éric Bauer	69,148	0.07%	138,296	0.08%	69,148	0.07%	138,296	0.08%
Estelle Brachlianoff	100	0.00%	100	0.00%	100	0.00%	100	0.00%
Pureza Cardoso	60	0.00%	60	0.00%	60	0.00%	60	0.00%
Monique Cohen	250	0.00%	500	0.00%	250	0.00%	500	0.00%
Matthieu Dumas	213	0.00%	426	0.00%	213	0.00%	426	0.00%
Blaise Guerrand	200	0.00%	400	0.00%	200	0.00%	400	0.00%
Julie Guerrand	5,825	0.01%	10,630	0.01%	5,825	0.01%	10,630	0.01%
Olympia Guerrand	306,312	0.29%	341,012	0.19%	306,312	0.29%	341,012	0.19%
Rémy Kroll	50	0.00%	80	0.00%	50	0.00%	80	0.00%
Renaud Momméja	150,012	0.14%	228,066	0.13%	150,012	0.14%	228,066	0.13%
Dominique Senequier	200	0.00%	400	0.00%	200	0.00%	400	0.00%

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 388.

	Shares in full ownership or with usufruct ¹ (Ordinary General Meeting votes on the allocation of net income)				Shares in full or bare ownership ¹ (other General Meeting votes)			
	Number of shares	%	Number of votes	%	Number of shares	%	Number of votes	%
Alexandre Viros	100	0.00%	100	0.00%	100	0.00%	100	0.00%
Executive Committee (excluding Executive Chairmen and members of the Supervisory Board)								
Florian Craen	3,060	0.00%	6,080	0.00%	3,060	0.00%	6,080	0.00%
Charlotte David	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Pierre-Alexis Dumas	93,147	0.09%	182,234	0.10%	89,024	0.08%	178,048	0.10%
Olivier Fournier	425	0.00%	850	0.00%	425	0.00%	850	0.00%
Catherine Fulconis	40	0.00%	80	0.00%	40	0.00%	80	0.00%
Wilfried Guerrand	6,145	0.01%	9,230	0.01%	6,145	0.01%	9,230	0.01%
Éric du Hailgouët	1,041	0.00%	2,082	0.00%	1,041	0.00%	2,082	0.00%
Guillaume de Seynes	5,201	0.00%	10,402	0.01%	5,201	0.00%	10,402	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 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 388.

3.9 STATEMENTS BY CORPORATE OFFICERS

According to the statements made to the Company by the Corporate Officers:

- ♦ no Corporate Officer has been convicted of fraud in the last five years;
- ♦ no Corporate Officer has been involved in a bankruptcy, receivership, liquidation or placement of companies under judicial administration as a member of an administrative, management or supervisory body or as a Managing Director in the past five years;
- ♦ no Corporate Officer has been 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 has been accused or punished in a court of law by a statutory or regulatory authority (including designated professional bodies).

4

COMMENTS ON THE FINANCIAL YEAR AND OUTLOOK

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4.1 COMMENTS ON THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

<i>In millions of euros</i>	2019	2018 restated*
Revenue	6,883.4	5,966.1
Cost of sales	(2,124.9)	(1,791.8)
Gross margin	4,758.5	4,174.3
Selling, marketing and administrative expenses	(1,815.7)	(1,562.3)
Other income and expenses	(604.0)	(536.7)
Recurring operating income	2,338.9	2,075.3
Other non-recurring income and expenses	-	52.7
Operating income	2,338.9	2,128.0
Net financial income	(68.6)	(61.8)
Net income before tax	2,270.3	2,066.2
Income tax	(751.0)	(672.2)
Net income from associates	15.9	16.6
CONSOLIDATED NET INCOME	1,535.3	1,410.6
Net income attributable to non-controlling interests	(7.0)	(5.1)
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	1,528.2	1,405.5

* Including the impact of IFRS 16 on leases. In accordance with IAS 8, Hermès has applied the new standard on a full retrospective basis, and has restated the financial statements for the period ended 31 December 2018.

In 2019, the Hermès Group reported consolidated revenue of €6,883 million, up +15% at current exchange rates and +12% at constant exchange rates. The gross margin was 69.1%, down 0.9 points compared with 2018, mainly due to the unfavourable impact of foreign exchange hedges.

Sales, marketing and administrative expenses, which represented €1,816 million versus €1,562 million in 2018, include in particular €357 million in communication expenditure (compared with €298 million in 2018). Other income and expenses came to €537 million. This figure includes €197 million in fixed asset depreciation and amortisation charges, which reflects the rapid pace of investment in the development and renovation of the distribution network, €209 million in depreciation and amortisation of right-of-use assets, as well as the cost of free share allocation plans.

Recurring operating income from continuing operations increased 13% to €2,339 million compared to €2,075 million in 2018. Recurring operating profitability was close to record levels, at 34.0%, versus 34.8% in 2018, due to the unfavourable impact of foreign currency hedges.

2019 operating income does not include any non-recurring items, unlike that of 2018, which included a capital gain on a property disposal of €53 million.

Net financial income, which includes interest on lease liabilities, financial income from cash management investments and foreign exchange gains and losses, represented an expense of €69 million, compared with an expense of €62 million in 2018.

Net income attributable to non-controlling interests totalled €7 million.

After taking into account a tax expense of €751 million and the results of associates (income of €16 million), the Group's consolidated net income grew by 9% to €1,528 million.

After restatement of the non-recurring capital gain resulting from the sale of the former Galleria store premises in Hong Kong in 2018, net income grew by +13%.

4.2 COMMENTS ON THE SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS

In millions of euros	2019	2018 restated*
Operating cash flows	2,063.3	1,863.4
Change in working capital requirements	23.9	76.7
Cash flows related to operating activities	2,087.3	1,940.1
Cash flows related to investing activities	(471.1)	(239.3)
of which operating investments	(478.0)	(312.3)
of which financial investments	(12.8)	(8.4)
of which proceeds from sale of operating assets	0.3	69.1
cash flows related to financing activities	(742.8)	1,200.4
of which dividends paid	(486.6)	(958.3)
of which repayment of lease liabilities	(202.8)	(180.7)
of which treasury share buybacks net of disposals	(53.1)	(59.7)
Foreign currency translation adjustment and change in scope	33.1	52.8
CHANGE IN NET CASH POSITION	906.5	553.3
Net cash at the end of the period	4,371.6	3,465.1
Restated net cash position ¹	4,561.6	3,615.1

* Including the impact of IFRS 16 on leases. In accordance with IAS 8, Hermès has applied the new standard on a full retrospective basis, and has restated the financial statements for the period ended 31 December 2018.

(1) Restated net cash includes cash investments that do not meet IFRS cash equivalents criteria, in particular as a result of their original maturity of more than three months.

4.2.1 BALANCE SHEET

Adjusted free cash flow stands at €1,406 million compared with €1,447 million in 2018. It enabled the Group to finance all operating investments (€478 million), the distribution of an ordinary dividend (€474 million) and the buyback of shares (€53 million). Net cash amounted to €4,372 million at 31 December 2019 compared with €3,465 million at 31 December 2018.

The reconciliation of adjusted free cash flow with the Group's statement of cash flows is as follows:

In millions of euros	31/12/2019	31/12/2018 Restated
Operating cash flows	2,063.3	1,863.4
+ Change in working capital requirements	23.9	76.7
- Operating investments	(478.0)	(312.3)
- Repayment of lease liabilities	(202.8)	(180.7)
ADJUSTED FREE CASH FLOW	1,406.4	1,447.1

4.2.2 INVESTMENTS

In 2019, Hermès pursued the qualitative development of its distribution network and the strengthening of its production capacity, with €478 million in operating investments. This amount results, on the one hand, from the opening, renovation or expansion of some 20 branches, and the purchase of a store property in Sydney, Australia. On the other hand, the Leather Goods-Saddlery *métier* continued with its plans to set up new production units in Montereau (Seine-et-Marne department) and Guyenne (Gironde). Lastly, the Group is continuing to invest in its information systems as well as in its Hermès.com e-commerce platform in Japan, Singapore and Malaysia during the course of the year.

In millions of euros	2019	2018
Operating investments	478.0	312.3
Investments in financial assets	12.8	8.4
Sub-total – Investments (excluding financial investments)	490.8	320.7
Financial investments ¹	76.6	80.0
TOTAL INVESTMENTS	567.4	400.7

(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.

4.3 EXCEPTIONAL EVENTS

No exceptional events occurred in 2019.

4.4 INFORMATION ON THE PARENT COMPANY FINANCIAL STATEMENTS, ON ACCOUNTS PAYABLE DUE DATES, SUBSIDIARIES AND ASSOCIATES

4.4.1 INFORMATION ON THE PARENT COMPANY FINANCIAL STATEMENTS

The parent company financial statements as presented were approved by the Executive Management on 25 February 2020 and will be submitted to the shareholders for approval at the General Meeting of 24 April 2020. The parent company financial statements were also reviewed by the Audit and Risk Committee at its meeting of 24 March 2020.

4.4.1.1 REVENUE

Revenue amounted to €315.0 million in 2019, compared with €247.6 million in 2018.

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.

4.4.1.2 BALANCE SHEET AND STATEMENT OF PROFIT OR LOSS

Hermès International's statement of profit or loss and balance sheet appear on pages 352 to 353 and have been drawn up in accordance with the provisions of French laws and regulations and with generally accepted accounting principles.

As at 31 December 2019, the balance sheet amounted to €5,729.3 million compared with €4,463.4 million as at 31 December 2018. The statement of profit or loss shows net profit of €1,653.1 million, compared with €1,238.5 million in 2018.

As at 31 December 2019, share capital amounted to €53,840,400.12, divided into 105,569,412 shares with a par value of €0.51 each.

4.4.2 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 in section 6.8 of this document on page 368.

4.4.3 INFORMATION ON SUBSIDIARIES AND ASSOCIATES

A list of companies whose headquarters 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 presented in chapter 6 (page 366).

4.4.3.1 ACTIVITY OF SUBSIDIARIES

The activities of the main subsidiaries of the Group are shown on page 35.

4.4.3.2 EQUITY INVESTMENTS IN COMPANIES WITH HEADQUARTERS IN FRANCE (ARTICLE. L. 233-6 OF THE FRENCH COMMERCIAL CODE)

In 2019, Hermès International did not make any equity investments in companies with headquarters in France.

4.4.4 INFORMATION ON BRANCHES

In application of Article L. 232-1 of the French Commercial Code (*Code de commerce*), we communicate to you below the list of branches (secondary establishments) of the Company as at 31 December 2019:

Address	SIRET
Paris	
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 ^{er} 75008 Paris	572 076 396 00132
20, rue de la Ville-l'Évêque 75008 Paris	572 076 396 00090
Pantin	
48, rue Auger 93500 Pantin	572 076 396 00223
110 B, avenue du Général-Leclerc 93500 Pantin	572 076 396 00207

4.4.5 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 2019.

4.5 OUTLOOK

In an uncertain and volatile global context, Hermès demonstrates its robustness and the strength of its business model year after year, with growth in revenue, which amounted to €6.9 billion in 2019 (up by 15% at current exchange rates and by 12% at constant exchange rates), and increased results. Sales growth is very healthy, since it is mainly based on an increase in volumes, with little price effect.

The House, firmly rooted and inspired by its heritage, is supported by the excellence of its craftsmanship, its creative freedom and innovation, its attachment to know how and entrepreneurial spirit. Firmly believing that there can be no creation of economic value and long-term development without creation of social and societal value and without environmental responsibility, Hermès is committed to leaving a positive footprint on the world. Our objects are designed and manufactured to last, to be repaired and to be passed on.

Hermès continues to take root, thanks to its attractive range of rich and diverse *métiers*. 2020 will be marked by the launch of Hermès' 16th *métier*, Beauty, as well as by singular innovations such as the double-sided scarf, the line of anodised aluminium cuffs, by new materials that renew and complement the work of the finest materials, and by new objects.

The Group's performance reflects the attractiveness of its collections and the strength of its exclusive distribution network. The qualitative development of the store network will continue in 2020, notably with the opening of a new flagship store in Sydney, Australia. Priority will be given to expansions and renovations, in around twenty stores in the world. The rollout of e-commerce will continue in the first half of 2020 with the opening of the new platform in Hong Kong, Macao and Korea. This new platform has already been successfully introduced in numerous countries, with growth in both traffic and conversion rates. It offers a single point of entry for editorial content and products reflecting the diversity and originality of our creations, the mastery of our *savoir-faire*, and major events at the House.

In light of our particularly strong growth, Hermès will continue to increase its production capacities. The strong demand for Leather Goods and Saddlery, both for re-invented classics and new models such as the *Verrou*, *Mosaic* and *24/24* bags, will be sustained by the ramp-up of new sites and by plans to increase production capacity. The Guyenne and Montereau workshops are scheduled for completion in 2020. With the announcement of the construction of new leather goods workshops in the

Ardennes by 2022 and Louviers by 2021, the future site in the Ardennes will become the Group's 21st leather goods workshop. Hermès will thus continue to strengthen its local integration in France with the development of employment and the creation of social value. A training centre will be inaugurated in Filitieu (Isère), and the Gloves and Leather Goods workshop in Saint-Junien in Limousin will be expanded. The ramp-up of the footwear production site in Italy is continuing, and the Pierre-Bénite site for Textiles will be expanded by 2022. 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 fruits of its growth with those who contribute to it on a daily basis, the House of Hermès will distribute a €1,500 bonus to all employees in 2020, following the July 2019 announcement of a new free share plan for all employees.

In 2020, Hermès remains true to its tradition of rigorous, stand-out communications. The House will continue to surprise those who are loyal to it as much as those who know us less, through new experiences that bring Hermès' values and objects to life. Major events such as the men's and women's ready-to-wear fashion shows, and opportunities to meet the House's craftsmen (Hermès at Work) and designers (Hermès Carré Club) will be held throughout the year, all over the world. Store openings and reopenings will also be an opportunity for us to meet in London, Denver and Paris, to name but a few. We are also continuing our conversations on social networks, through *Le Monde d'Hermès*, as well as when we highlight our *métiers*, such as at the launch of Beauty in the first quarter.

The Group will continue its commitment to social, societal and environmental performance, which is part of the Hermès DNA and its craftsmanship model. Priority actions in the area of sustainable development (see the materiality matrix on page 40) will be stepped up, particularly in limiting greenhouse gas emissions, by reducing emissions and increasing offsetting, respect for biodiversity, particularly at its sites in France but also in its supply chains, and careful management of raw materials and waste. Hermès will continue its efforts to strengthen regional development by opening new sites, creating jobs and passing on *savoir-faire*, as well as by promoting the development and well-being of its employees. These steps will be set out in an expanded dedicated digital space, in order to further explain its actions, and to support its non-financial assessments, such as Sustainalytics.

The impact in 2020 of the COVID-19 epidemic – the scale, length and geographic scope of which are changing daily – is currently difficult to assess. The craftsmanship model set up mainly on French territory, the balanced distribution network and its local customer base are all elements that contribute to the House's resilience. The Group remains highly involved and committed by regularly assessing the situation and adapting its procedures. As for the countries affected, the priority is the safety of all employees and their close families, in line with the measures taken by medical and public authorities. At the date of filing this Universal Registration Document, and believing that this epidemic and the ensuing disruption will have passed within a few months, we remain confident that our employees will then be able to return and reconnect with our customers once more.

Thanks to its unique business model, Hermès is pursuing its long-term development strategy based on creativity, maintaining control over know-how and singular communication.

With pride in its artisanal model, in 2020 Hermès pays tribute to the extraordinary tool that is the human hand, as well as to the ingenuity that drives every one of the House's craftsmen and women. For it is this combination that characterises the innovative spirit of Hermès, its commitment to Innovation in the making.

In the medium term, despite economic, geopolitical and monetary uncertainties around the world, the Group confirms an ambitious goal for revenue growth at constant exchange rates

5

CONSOLIDATED FINANCIAL STATEMENTS

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5.1 CONSOLIDATED STATEMENT OF INCOME

<i>In millions of euros</i>	<i>Notes</i>	2019	2018 restated ¹
Revenue	4	6,883.4	5,966.1
Cost of sales	5	(2,124.9)	(1,791.8)
Gross margin		4,758.5	4,174.3
Selling, marketing and administrative expenses	6	(1,815.7)	(1,562.3)
Other income and expenses	7	(604.0)	(536.7)
Recurring operating income	4	2,338.9	2,075.3
Other non-recurring income and expenses	8	-	52.7
Operating income		2,338.9	2,128.0
Net financial income	9	(68.6)	(61.8)
Net income before tax		2,270.3	2,066.2
Income tax	10	(751.0)	(672.2)
Net income from associates	18	15.9	16.6
CONSOLIDATED NET INCOME		1,535.3	1,410.6
Net income attributable to non-controlling interests	24	(7.0)	(5.1)
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT		1,528.2	1,405.5
Earnings per share <i>in euros</i>	11	14.66	13.48
Diluted earnings per share <i>in euros</i>	11	14.55	13.40

(1) Including the impact of IFRS 16 on leases. In accordance with IAS 8, Hermès has applied the new standard on a full retrospective basis, and has restated the financial statements for the period ended 31 December 2018.

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

<i>In millions of euros</i>	<i>Notes</i>	2019	2018 restated ¹
Consolidated net income		1,535.3	1,410.6
Changes in foreign currency adjustments ²	23.4	50.1	74.8
Future cash flow hedges in foreign currencies ^{2 3}	23.4	2.8	(76.8)
♦ change in fair value		(32.9)	(37.6)
♦ recycling through profit or loss		35.7	(39.3)
Assets at fair value ³	23.4	-	27.6
Employee benefit obligations: change in value linked to actuarial gains and losses ³	23.4	(36.0)	5.5
Net comprehensive income		1,552.2	1,441.7
♦ attributable to owners of the parent		1,544.4	1,436.3
♦ attributable to non-controlling interests		7.7	5.5

(1) Including the impact of IFRS 16 on leases. In accordance with IAS 8, Hermès has applied the new standard on a full retrospective basis, and has restated the financial statements for the period ended 31 December 2018.

(2) Transferable through profit or loss.

(3) Net of taxes.

5.3 CONSOLIDATED BALANCE SHEET

ASSETS

<i>In millions of euros</i>	<i>Notes</i>	31/12/2019	31/12/2018 restated ¹	01/01/2018 restated ¹
Goodwill	12	16.2	15.7	32.9
Intangible assets	13	184.1	142.0	131.9
Right-of-use assets	14.1	954.3	982.9	910.3
Property, plant and equipment	15	1,541.8	1,345.4	1,283.3
Investment property	16	78.0	76.9	79.8
Financial assets	17	357.4	313.9	271.4
Investments in associates	18	79.3	75.1	72.5
Loans and deposits	19	58.1	46.7	47.0
Deferred tax assets	10.3	510.8	462.4	363.5
Other non-current assets	21	10.5	15.3	29.0
Non-current assets		3,790.6	3,476.4	3,221.6
Inventories and work-in-progress	20	1,132.6	963.6	896.2
Trade and other receivables	21	317.9	280.7	255.9
Current tax receivables	21	20.7	17.9	32.6
Other assets	21	198.6	199.4	246.8
Financial derivatives	25.4	36.5	34.9	101.1
Cash and cash equivalents	22	4,384.2	3,479.1	2,931.9
Current assets		6,090.5	4,975.5	4,464.5
TOTAL ASSETS		9,881.1	8,451.9	7,686.1

LIABILITIES

<i>In millions of euros</i>	<i>Notes</i>	31/12/2019	31/12/2018 restated ¹	01/01/2018 restated ¹
Share capital	23	53.8	53.8	53.8
Share premium		49.6	49.6	49.6
Treasury shares	23	(508.8)	(465.2)	(453.6)
Reserves		5,255.7	4,290.1	3,983.5
Foreign currency adjustments	23.2	138.7	88.0	13.5
Revaluation adjustments	23.3	50.9	48.0	131.4
Net income attributable to owners of the parent		1,528.2	1,405.5	1,226.4
Equity attributable to owners of the parent		6,568.1	5,469.8	5,004.6
Non-controlling interests	24	7.8	4.9	6.6
Equity		6,575.9	5,474.7	5,011.2
Borrowings and financial liabilities due in more than one year	25.3	29.6	27.5	23.5
Lease liabilities due in more than one year	14.2	896.0	936.7	846.4
Non-current provisions	26	29.0	16.4	19.2
Post-employment and other employee benefit obligations due in more than one year	28	270.0	196.0	188.2
Deferred tax liabilities	10.3	24.6	37.3	45.1
Other non-current liabilities	29	32.5	46.5	84.4
Non-current liabilities		1,281.7	1,260.4	1,206.9
Borrowings and financial liabilities due in less than one year	25.3	20.5	22.5	30.1
Lease liabilities due in less than one year	14.2	195.6	179.3	160.4
Current provisions	26	101.4	96.3	147.1
Post-employment and other employee benefit obligations due in less than one year	28	18.2	6.9	6.0
Trade and other payables	29	480.4	467.0	481.0
Financial derivatives due in less than one year	25.4	47.1	57.8	18.8
Tax liabilities	29	360.1	314.6	141.1
Other current liabilities	29	800.2	572.2	483.4
Current liabilities		2,023.6	1,716.7	1,467.9
TOTAL EQUITY AND LIABILITIES		9,881.1	8,451.9	7,686.1

(1) Including the impact of IFRS 16 on leases. In accordance with IAS 8, Hermès has applied the new standard on a full retrospective basis, and has restated the financial statements for the periods ended 31 December 2018 and the opening position at 1 January 2018.

5.4 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In millions of euros	Number of shares	Share capital	Share premium	Treasury shares	Consolidated reserves and net income attributable to owners of the parent	Actuarial gains and losses	Foreign currency adjustments	Revaluation adjustments		Equity attributable to owners of the parent	Non-controlling interests	Equity
								Financial investments	Future cash flow hedge in foreign currencies			
Notes	23	23		23		23.4	23.2	23.3	23.3		24	23
As at 31 December 2017	105,569,412	53.8	49.6	(453.6)	5,346.4	(102.5)	13.8	72.7	58.7	5,039.0	6.6	5,045.5
First-time application of IFRS 16					(34.1)		(0.3)			(34.4)		(34.3)
As at 1 January 2018 – restated ¹	105,569,412	53.8	49.6	(453.6)	5,312.3	(102.5)	13.5	72.7	58.7	5,004.6	6.6	5,011.2
Net income attributable to owners of the parent		-	-	-	1,405.5	-	-	-		1,405.5	5.1	1,410.6
Other comprehensive income		-	-	-	-	5.5	74.4	27.6	(76.8)	30.7	0.4	31.1
Comprehensive income		-	-	-	1,405.5	5.5	74.4	27.6	(76.8)	1,436.3	5.5	1,441.8
Change in share capital and share premium		-	-	-	-	-	-	-	-	0.0	-	-
Purchase or sale of treasury shares		-	-	(11.6)	(47.8)	-	-	-	-	(59.5)	-	(59.5)
Share-based payments		-	-	-	51.3	-	-	-	-	51.3	-	51.3
Dividends paid		-	-	-	(954.0)	-	-	-	-	(954.0)	(4.3)	(958.2)
First-time application of IFRS 9		-	-	-	34.2	-	-	-	(34.2)	-	-	-
Other		-	-	-	(8.7)	-	-	-	-	(8.7)	(2.9)	(11.6)
As at 31 December 2018 – restated ¹	105,569,412	53.8	49.6	(465.2)	5,792.6	(97.0)	88.0	100.3	(52.3)	5,469.8	4.9	5,474.7
Net income attributable to owners of the parent		-	-	-	1,528.2	-	-	-		1,528.2	7.0	1,535.3
Other comprehensive income		-	-	-	-	(36.0)	49.4	-	2.8	16.2	0.7	16.9
Comprehensive income		-	-	-	1,528.2	(36.0)	49.4	-	2.8	1,544.4	7.7	1,552.2
Change in share capital and share premium		-	-	-	-	-	-	-	-	0.0	-	-
Purchase or sale of treasury shares		-	-	(43.5)	(5.4)	-	-	-	-	(48.9)	-	(48.9)
Share-based payments		-	-	-	87.7	-	-	-	-	87.7	-	87.7
Dividends paid		-	-	-	(482.6)	-	-	-	-	(482.6)	(4.0)	(486.6)
Other		-	-	-	(3.5)	-	1.3	-	-	(2.2)	(0.8)	(3.0)
AS AT 31 DECEMBER 2019	105,569,412	53.8	49.6	(508.8)	6,917.0	(133.0)	138.7	100.3	(49.5)	6,568.1	7.8	6,575.9

(1) Including the impact of IFRS 16 related to leases. In accordance with IAS 8, Hermès has applied the new standard on a full retrospective basis and has restated the financial statements as at 31 December 2018 and the opening balance sheet as at 1 January 2018.

5.5 CONSOLIDATED STATEMENT OF CASH FLOWS

<i>In millions of euros</i>	<i>Notes</i>	2019	2018 restated ¹
CASH FLOWS RELATED TO OPERATING ACTIVITIES			
Net income attributable to owners of the parent		1,528.2	1,405.5
Depreciation of assets	13, 15 and 16	236.2	217.0
Amortisation of right-of-use assets	14.1	211.5	188.8
Impairment losses	13, 14 and 15	28.5	70.3
Mark-to-Market financial instruments		(0.3)	(0.2)
Foreign exchange gains/(losses) on fair value adjustments		(19.0)	(3.6)
Change in provisions		41.0	30.3
Net income from associates		(15.9)	(16.6)
Net income attributable to non-controlling interests	24	7.0	5.1
Capital gains/(losses) on disposals		1.2	(49.5)
Deferred tax expense		(29.0)	(24.7)
Accrued expenses and income related to share-based payments		87.7	51.4
Dividend income		(13.3)	(10.0)
Other		(0.3)	(0.3)
Operating cash flows		2,063.3	1,863.4
Change in working capital requirements	22.2	23.9	76.7
Change in net cash related to operating activities (A)		2,087.3	1,940.1
CASH FLOWS RELATED TO INVESTING ACTIVITIES			
Operating investments	13, 15	(478.0)	(312.3)
Acquisitions of investment securities	17	(12.8)	(8.4)
Acquisitions of other financial assets	17	(76.6)	(80.0)
Change in amounts payable to fixed asset suppliers		23.5	(4.4)
Proceeds from sale of operating assets		0.3	69.1
Disposals of other financial assets	17	35.0	69.1
Dividends received		37.5	27.6
Change in net cash related to investing transactions (B)		(471.1)	(239.3)
CASH FLOWS RELATED TO FINANCING ACTIVITIES			
Dividends paid		(486.6)	(958.3)
Repayment of lease liabilities	14.2	(202.8)	(180.7)
Treasury share buybacks net of disposals		(53.1)	(59.7)
Borrowing subscriptions		0.0	0.2
Repayment of borrowings		(0.3)	(1.8)
Change in net cash related to financing activities (C)		(742.8)	(1,200.4)
Change in scope (D)		-	-
Foreign currency translation adjustment (E)		33.1	52.8
CHANGE IN NET CASH (A) + (B) + (C) + (D) + (E)	22.1	906.5	553.4
Net cash at the beginning of the period	22.1	3,465.1	2,911.7
Net cash at the end of the period	22.1	4,371.6	3,465.1
CHANGE IN NET CASH	22.1	906.5	553.4

(1) Including the impact of IFRS 16 on leases. In accordance with IAS 8, Hermès has applied the new standard on a full retrospective basis, and has restated the financial statements for the period ended 31 December 2018.

5.6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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Hermès International is a *société en commandite par actions* (partnership limited by shares) established under French law. It is listed on Euronext 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 balance sheet 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, and are expressed in euros.

The consolidated financial statements as presented were approved by the Executive Management on 25 February 2020 and will be submitted to the shareholders for approval at the General Meeting on 24 April 2020. The annual consolidated financial statements were also reviewed by the Audit and Risk Committee at its meeting on 24 February 2020.

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 2019.

1.1.1 MANDATORY STANDARDS, AMENDMENTS AND INTERPRETATIONS APPLICABLE AS AT 1 JANUARY 2019

1.1.1.1 IFRS 16 standard

IFRS 16 Leases must be applied at 1 January 2019. The Group has decided to apply this standard on a full retrospective basis to each prior period for which financial information is presented, in accordance with IAS 8.

The Group is tenant of most of the stores and offices in the cities where it operates. In application of IFRS 16, property leases with fixed rents are now recognised in assets through a right-of-use asset and in liabilities through a lease liability corresponding to the present value of future payments. Previously, each lease was qualified as either an operating lease or a finance lease, and each category had a specific accounting treatment.

Right-of-use assets are equal to the amount of the lease liability adjusted for the amount of prepaid rent, incentives received from the lessors and, where applicable, restoration costs at the date of the contract’s inception.

The lease term is determined on a lease-by-lease basis, without taking into account early termination or extension options. Taking into account the Group’s geographical presence around the world, and more specifically its distribution network, leases are established on the basis of varying legal terms and conditions.

The Group is currently analysing the potential impacts of the IFRS IC decision of November 2019 on the determination of the term of leases and the depreciation period of the fixtures of the properties leased.

Discount rates are determined using the Group’s incremental borrowing rate, with reference to the term of the leases, and take into account the economic environment of the subsidiaries by applying a spread defined per country. The rates thus determined apply on the start date of each contract.

The two capitalisation exemptions proposed by the standard are used: lease payments corresponding to assets with a low unit value or to leases with a remaining term of less than 12 months, are recognised directly as expenses.

The Group has chosen to record the deferred taxes generated by the recognition of a right-of-use asset and a lease liability.

In the cash flow statement, repayments of principal and payment of interest on lease liabilities are presented under the same heading “Repayment of lease liabilities” in cash flows related to financing activities.

The cumulative effect of the retrospective restatements required by the standard on shareholders’ equity at 1 January 2018 was reflected in a €34 million reduction, net of deferred tax, in consolidated reserves.

The impact of the new standard on the financial statements at 1 January 2018 is presented below:

In millions of euros	01/01/2018	IFRS 16 impacts	01/01/2018 restated
Intangible assets and property, plant and equipment	1,415.2	-	1,415.2
Right-of-use assets	-	910.3	910.3
Other non-current assets	882.4	13.7	896.2
Non-current assets	2,297.6	924.0	3,221.6
Current assets	4,470.6	(6.2)	4,464.5
TOTAL ASSETS	6,768.2	917.8	7,686.1

<i>In millions of euros</i>	01/01/2018	IFRS 16 impacts	01/01/2018 restated
Equity attributable to owners of the parent	5,038.9	(34.3)	5,004.6
Non-controlling interests	6.6	(0.0)	6.6
Equity	5,045.5	(34.3)	5,011.2
Lease liabilities due in more than one year	-	846.4	846.4
Non-current provisions	7.1	12.1	19.2
Other non-current liabilities	358.1	(16.8)	341.3
Non-current liabilities	365.2	841.7	1,206.9
Lease liabilities due in less than one year	-	160.4	160.4
Other current liabilities	1,357.5	(50.0)	1,307.5
Current liabilities	1,357.5	110.4	1,467.9
TOTAL EQUITY AND LIABILITIES	6,768.2	917.8	7,686.1

The impact of the new standard on the financial statements at 31 December 2018 is presented below:

Impact on the consolidated balance sheet

<i>In millions of euros</i>	Accounts as reported as at 31 December 2018	IFRS 16 impacts	Financial statements restated as at 31 December 2018
Intangible assets and property, plant and equipment	1,487.4	-	1,487.4
Right-of-use assets	-	982.9	982.9
Other non-current assets	998.0	8.0	1,006.1
Non-current assets	2,485.5	990.9	3,476.4
Current assets	4,982.6	(7.2)	4,975.5
TOTAL ASSETS	7,468.1	983.8	8,451.9
Equity attributable to owners of the parent	5,503.0	(33.2)	5,469.8
Non-controlling interests	4.8	0.1	4.9
Equity	5,507.8	(33.1)	5,474.7
Lease liabilities due in more than one year	-	936.7	936.7
Provisions	5.7	10.7	16.4
Other non-current liabilities	373.0	(65.7)	307.3
Non-current liabilities	378.8	881.7	1,260.4
Lease liabilities due in less than one year	-	179.3	179.3
Other current liabilities	1,581.4	(44.0)	1,537.4
Current liabilities	1,581.4	135.3	1,716.7
TOTAL EQUITY AND LIABILITIES	7,468.1	983.8	8,451.9

Impact on the cash flow statement

<i>In millions of euros</i>	Accounts as reported as at 31 December 2018	IFRS 16 impacts	Financial statements restated as at 31 December 2018
CASH FLOWS RELATED TO OPERATING ACTIVITIES			
Net income attributable to owners of the parent	1,404.6	0.9	1,405.5
Depreciation of fixed assets	217.0	-	217.0
Amortisation of right-of-use assets	-	188.8	188.8
Impairment losses	43.0	27.3	70.3
Change in provisions	68.8	(38.5)	30.3
Deferred tax expense	(26.8)	2.1	(24.7)
Other cash flows from operating activities	(23.8)	0.1	(23.8)
Operating cash flows	1,682.7	180.7	1,863.4
Change in working capital requirements	76.7	-	76.7
Change in net cash related to operating activities	1,759.4	180.7	1,940.1
CASH FLOWS RELATED TO INVESTING ACTIVITIES	(239.3)	-	(239.3)
Dividends paid	(958.3)	-	(958.3)
Repayment of lease liabilities	-	(180.7)	(180.7)
Other cash flows from financing activities	(61.3)	-	(61.3)
CASH FLOWS RELATED TO FINANCING ACTIVITIES	(1,019.6)	(180.7)	(1,200.4)
Foreign currency translation adjustment	52.8	-	52.8
CHANGE IN NET CASH	553.4	-	553.4

Impact on consolidated net income

<i>In millions of euros</i>	Accounts as reported FY 2018	IFRS 16 impacts	Financial statements restated FY 2018
Revenue	5,966.1	-	5,966.1
Cost of sales	(1,791.0)	(0.8)	(1,791.8)
Gross margin	4,175.1	(0.8)	4,174.3
Selling, marketing and administrative expenses	(1,771.2)	208.9	(1,562.3)
Other income and expenses	(358.9)	(177.8)	(536.7)
Recurring operating income	2,045.0	30.3	2,075.3
Other non-recurring income and expenses	52.7	-	52.7
Operating income	2,097.7	30.3	2,128.0
Net financial income	(34.6)	(27.1)	(61.8)
Net income before tax	2,063.1	3.1	2,066.2
Income tax	(670.0)	(2.1)	(672.2)
Net income from associates	16.6	-	16.6
CONSOLIDATED NET INCOME	1,409.6	1.0	1,410.6
Net income attributable to non-controlling interests	(5.0)	(0.1)	(5.1)
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	1,404.6	0.9	1,405.5
Earnings per share <i>in euros</i>	13.48	0.01	13.48
Diluted earnings per share <i>in euros</i>	13.39	0.01	13.40

In the income statement, the rents recognised previously in cost of sales or in selling, marketing and administrative expenses are replaced by the amortisation of the right-of-use asset in recurring operating income and the interest on the lease liability in net financial income. The impact of the application of IFRS 16 on operating income for financial year 2018 was +€30.3 million. The impact of the application of IFRS 16 on 2018 net income is negligible.

Although IFRS 16 was applied retrospectively in full, and in order to facilitate the comprehension of financial information in respect of the year of first-time application, the Group estimated the impacts of the application of the standard on the consolidated financial statements for 2019 compared to the previous accounting standards:

- ♦ increase in total assets of €954 million (compared with €984 million in 2018) corresponding mainly to right-of-use assets; in return, lease liabilities are entered as liabilities in respect of discounted future contractual payments;
- ♦ increase in operating cash flows (see Note 3) presented in the statement of cash flows of +€203 million (compared with +€181 million in 2018), corresponding to the amortisation of right-of-use assets;
- ♦ effect on recurring operating profitability for the financial year of +0.4 points (compared to +0.5 points in 2018);
- ♦ negligible impact on 2019 net income (as in 2018).

1.1.2 OTHER STANDARDS APPLICABLE IN 2019

IFRIC 23 *Uncertainty over Income Tax Treatments*, applicable no later than 1 January 2019, was applied early as of 31 December 2018.

As part of the benchmark interest rate reform, in September 2019 the IASB published amendments to IFRS 9 and IFRS 7 relating to financial instruments. These amendments authorise temporary derogations during periods of uncertainty regarding changes to these rates, in particular for entities with hedging relationships affected by this reform, and are applicable early to the financial statements as of 31 December 2019. Interest rate risk is not subject to the implementation of hedging instruments by the Group as of 31 December 2019, and as such, the early application of these amendments has no impact on the Group's financial statements.

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 balance sheet 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 balance sheet 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 balance sheet, 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 balance sheet

In accordance with IAS 1 Presentation of Financial Statements, the Group classifies its assets and liabilities on its balance sheet 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 carrying amount 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 combinations 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 expected 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 1.9).

Impairment of the goodwill of subsidiaries is not reversible. Any impairment charge is included in "Other income and expenses" of operating income.

1.6.2 ASSOCIATES

In accordance with IAS 28, the item "Net income from associates" shown in the statement of profit or loss includes the following:

- ♦ share of the Group's income in these companies;
- ♦ income on disposal of shares in these companies;
- ♦ provisions for risk.

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".

Impairment of associates' goodwill is reversible.

If the Group's share in the losses of an associate exceeds the carrying amount of its holding in the company, then the Group will no longer recognise its share in subsequent losses. When the share reaches zero, additional losses are only the subject of a provision when the Group has a legal or implicit obligation in this respect, or has made payments on behalf of the associate.

1.7 Leases

In accordance with IFRS 16, property leases with fixed rents are recognised in assets through a right-of-use asset and in liabilities through a lease liability corresponding to the present value of future payments. Right-of-use assets are equal to the amount of the lease liability adjusted for the amount of prepaid rent, incentives received from the lessors and, where applicable, restoration costs, at the start date of the lease.

Right-of-use assets are amortised on the length of use of the underlying asset, without taking into account early termination or extension options in respect of the lease. They are subject to impairment tests in line with IAS 36 *Impairment of assets*.

Discount rates are determined using the Group's incremental borrowing rate, depending on the term of the leases, and take into account the economic environment of the subsidiaries (by applying a spread defined per country). The rates thus determined apply on the start date of each contract.

In the statement of profit or loss, amortisation of right-of-use assets is presented in "Other income and expenses", except for allocations relative to right-of-use assets used for production, which are included in "Cost of sales".

The lease liability is increased by the amount of interest expense determined by applying the discount rate and reduced by the amount of payments made. Interest expense is recognised in net financial income.

Furthermore, the liability may be re-assessed in the event of a review of the lease term, the amount of fixed rents, or rates and indices on which rents are based.

Leases corresponding to assets with a low unit value or to leases with a remaining term of less than 12 months are recognised directly as expenses.

Variable rents that are not linked to an index or rate are recognised as expenses over the period for which the conditions that trigger payment are noted.

Gains or losses arising due to the early termination of a lease are determined by the difference between the net carrying amount of the right-of-use asset of the leases terminated early, and the value of lease liabilities from leases terminated early, and are included in "Other income and expenses".

1.8 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.

1.8.1 INTANGIBLE ASSETS

Intangible assets, valued at amortised historical cost, consist primarily of:

- ♦ software, ERP and implementation and/or development costs;
- ♦ patents, models and brands other than internally generated brands.

Other software and ERP, either acquired or developed internally, and the associated implementation costs, are 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.

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.

1.8.2 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 to 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);
- ♦ industrial 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 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 income and expenses".

1.8.3 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 components 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.

1.9 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:

- ♦ goodwill ;
- ♦ intangible assets;
- ♦ right-of-use assets;
- ♦ property, plant and equipment;
- ♦ investment property.

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). Impairment of the goodwill of subsidiaries is not reversible. Any impairment charge is included in "Other income and expenses" of operating income.

The Group tests for impairment 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 (8.45% in 2019 vs. 8.67% in 2018) 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.

1.10 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 balance sheet 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 balance sheet.

1.10.1 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 balance sheet according to three categories determined on the basis of the management model and the characteristics of the contractual cash flows:

- ♦ financial assets and liabilities 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 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 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.

The financial assets at fair value through recyclable equity 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”.

As at 31 December 2019, the Group does not have any financial assets at fair value through recyclable equity,

Through non-recyclable equity

Financial assets at fair value through non-recyclable equity include investments securities 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 liabilities

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 "Cost of gross financial 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 or loss symmetrically with the flows of the hedged element, in the statement of operating profit or loss for the effective portion and in the statement of financial profit or 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.

1.10.2 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 balance sheet 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 recyclable equity

For these instruments, the gains or losses recorded for expected losses are recognised in the statement of profit or loss.

1.11 Inventories and work-in-progress

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.

1.12 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.

1.13 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, to a lesser extent, sales to wholesalers (mainly the concessionaries of stores and distributors in the Perfumes business) and sales to producers (textile printing, tanning, etc.)

Retail sales are recorded at the time of purchase by customers. Wholesale and production sales are recorded when control of the goods is transferred, which occurs at the time of delivery. Distributors and concessionaires therefore take control of products until sale to the final customer and thus act as the principal under the provisions of IFRS 15.

Contractual or implicit reversals of inventories are recorded as a deduction from revenue.

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.

1.14 Other non-recurring income and expenses

The item "Other non-recurring 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 non-controlling 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 carrying amount 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 provision is 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 and the inflation rate. 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 discounted 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 and 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;
- ◆ tax uncertainties recognised in accordance with IFRIC 23;
- ◆ 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 TAXES

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 ordinary 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 for 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 Free share allocation plans

Free 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.

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 subject to the deduction of the amount of the advance dividends over the vesting period, taking into account the assumption of a turnover rate for beneficiaries.

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 1.8, 13 and 15);
- ◆ leases (see Notes 1.7 and 14) ;
- ◆ impairment of inventories (see Notes 1.11 and 20);
- ◆ provisions (see Notes 1.17 and 26);
- ◆ post-employment and other employee benefit obligations (see Notes 1.18 and 28);
- ◆ income taxes (see Notes 1.19 and 10);
- ◆ share-based payments (see Notes 1.21 and 33).

1.23 Subsequent events

No significant events have occurred since the closing date at 31 December 2019.

NOTE 2 ANALYSIS OF THE MAIN CHANGES IN THE SCOPE OF CONSOLIDATION

No significant change in the scope of consolidation occurred during financial year 2019.

NOTE 3 ALTERNATIVE PERFORMANCE MEASURES

This Note aims to present the main Alternative Performance Measures ("APM") followed by the Group Management, and their reconciliation, where appropriate, with the aggregates of the IFRS consolidated financial statements.

- ◆ Growth in revenue at constant exchange rates: calculated by applying, for each currency, the average exchange rates of the previous period to the revenue for the period.
- ◆ Recurring operating come : operating income exclusive of non-recurring items with a significant impact that may affect understanding of the Group's economic performance.
- ◆ Net cash position: includes cash and marketable securities, less bank overdrafts and short-term debt. It does not include lease liabilities recognised pursuant to IFRS 16. The reconciliation of this aggregate with items in the consolidated balance sheet is presented in note 22.1.
- ◆ Restated net cash position: net cash plus cash investments that do not meet IFRS cash equivalents criteria specifically as a result of their original maturity of more than three months.

The reconciliation between net cash and restated net cash is presented below:

<i>In millions of euros</i>	2019	2018 restated
NET CASH POSITION	4,371.6	3,465.1
Cash investments with maturity at outset of over 3 months	190.0	149.9
RESTATED NET CASH POSITION	4,561.6	3,615.1

For management purposes, the Hermès Group sees all lease payments as items affecting operating activities. IFRS 16 considers fixed lease payments as the sum of the repayment of the principal portion of the lease liability and the payment of financial interest. Consequently, the Group follows the following APM:

- ◆ Adjusted free cash flow is the cash flow related to activity, less operating investments and the repayment of lease liabilities recognised in accordance with IFRS 16 (consolidated statement of cash flows).

The reconciliation of this indicator with the Group's statement of consolidated cash flows presented in section 5.5 is as follows:

<i>In millions of euros</i>	31/12/2019	31/12/2018 Restated
Operating cash flows	2,063.3	1,863.4
+ Change in working capital requirements	23.9	76.7
- Operating investments	(478.0)	(312.3)
- Repayment of lease liabilities	(202.8)	(180.7)
ADJUSTED FREE CASH FLOW	1,406.4	1,447.1

NOTE 4 SEGMENT INFORMATION

The information below is shown after consolidation adjustments and eliminations (see Note 1.15).

4.1 Statement of profit or loss by geographical area

	2019							
<i>In millions of euros</i>	France	Europe (excl. France)	Japan	Asia-Pacific (excluding Japan)	Americas	Other	Holding	Total
Revenue	867.3	1,201.9	864.0	2,589.6	1,240.7	120.0	-	6,883.4
Recurring operating income	312.7	343.6	318.5	1,079.9	427.6	33.8	(177.3)	2,338.9
Recurring operating profitability by segment	36.1%	28.6%	36.9%	41.7%	34.5%	28.1%		34.0%
Other non-recurring income and expenses	-	-	-	-	-	-	-	-
Operating income	312.7	343.6	318.5	1,079.9	427.6	33.8	(177.3)	2,338.9
Operating investments	186.8	44.7	22.2	128.1	75.0	-	21.1	478.0
Non-current assets ¹	1,124.8	420.1	202.6	602.9	521.1	33.2	27.9	2,932.6

(1) Non-current assets other than financial instruments and deferred tax assets.

	2018 restated							
<i>In millions of euros</i>	France	Europe (excl. France)	Japan	Asia-Pacific (excluding Japan)	Americas	Other	Holding	Total
Revenue	802.2	1,106.5	748.3	2,142.4	1,058.6	108.1	-	5,966.1
Recurring operating income	277.4	310.8	272.8	967.2	380.3	21.9	(155.1)	2,075.3
Recurring operating profitability by segment	34.5%	27.7%	36.8%	44.3%	35.9%	12.2%		34.3%
Other non-recurring income and expenses	-	-	-	52.7	-	-	-	52.7
Operating income	277.4	310.8	272.8	1,019.9	380.3	21.9	(155.1)	2,128.0
Operating investments	153.1	28.8	17.5	43.2	52.3	-	17.5	312.3
Non-current assets ¹	959.2	393.2	182.7	522.9	493.7	32.2	125.0	2,708.9

(1) Non-current assets other than financial instruments and deferred tax assets.

4.2 Revenue

Distribution of revenue by *métier* is as follows:

<i>In millions of euros</i>	2019	2018	Change at current exchange rate	Change at constant exchange rate
Leather Goods & Saddlery	3,414.3	2,975.8	14.7%	11.3%
Ready-to-wear and Accessories	1,574.2	1,310.4	20.1%	17.1%
Silk and Textiles	592.5	536.9	10.3%	7.5%
Other Hermès sectors	524.9	424.7	23.6%	20.4%
Perfumes	325.9	311.7	4.6%	4.1%
Watches	193.4	168.6	14.7%	11.6%
Other products	258.2	238.0	8.5%	7.0%
REVENUE	6,883.4	5,966.1	15.4%	12.4%

NOTE 5 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 6 SELLING, MARKETING AND ADMINISTRATIVE EXPENSES

<i>In millions of euros</i>	2019	2018 restated
Communication	(356.9)	(298.1)
Other selling, marketing and administrative expenses	(1,458.7)	(1,264.3)
TOTAL	(1,815.7)	(1,562.3)

NOTE 7 OTHER INCOME AND EXPENSES

<i>In millions of euros</i>	<i>Notes</i>	2019	2018 restated
Depreciation of assets		(197.5)	(181.5)
Amortisation of right-of-use assets		(209.4)	(187.0)
Depreciation and amortisation		(406.9)	(368.5)
Net change in provisions		(14.1)	(18.7)
Cost of pension plans and other long-term benefits	28	(36.9)	(16.0)
Sub-total		(51.0)	(34.7)
Impairment losses		(28.5)	(70.3)
Expenses linked to free share allocation plans and similar expenses	33	(114.1)	(72.0)
Other expenses		(24.1)	(15.6)
Other products		20.5	24.4
Sub-total		(146.1)	(133.5)
TOTAL		(604.0)	(536.7)

Total depreciation and amortisation of fixed assets included in operating expenses ("Other income and expenses" and "Cost of sales") amounted to €236.2 million in 2019, compared with €217.0 million in 2018.

Total amortisation of rights of use included in operating expenses ("Other income and expenses" and "Cost of sales") amounted to €211.6 million in 2019, compared with €188.8 million in 2018.

NOTE 8 OTHER NON-RECURRING INCOME AND EXPENSES

In 2018, other non-recurring income corresponded to the net gains resulting from the disposal of the premises of the former Galleria store in Hong Kong for €52.7 million.

NOTE 9 NET FINANCIAL INCOME

<i>In millions of euros</i>	2019	2018 restated
Income from cash and cash equivalents	19.0	13.6
Cost of gross financial debt	1.8	5.6
♦ of which net income/(loss) on interest and exchange rate hedging instruments	2.6	6.5
Net borrowing cost	20.8	19.1
Interest expense on lease liabilities	(24.4)	(25.8)
Other financial income and expenses	(65.1)	(55.1)
♦ of which ineffective portion of cash flow hedges	(66.9)	(55.6)
TOTAL	(68.6)	(61.8)

The ineffective portion of cash flow hedges includes -€1.5 million in over-hedging in 2019, compared with +€0.7 million in over-hedging in 2018. The impact of the effective portion of the hedges recorded in equity is shown in Note 23.3.

NOTE 10 INCOME TAX

10.1 Breakdown of income tax

<i>In millions of euros</i>	2019	2018 restated
Current tax	(798.7)	(729.5)
Deferred taxes	47.8	57.4
TOTAL	(751.0)	(672.2)

10.2 Rationalisation of income tax expense

The effective tax rate was 33.1% as at 31 December 2019, compared with 32.5% as at 31 December 2018.

The difference between the theoretical income tax expense and the net actual tax expense is explained as follows:

<i>In millions of euros</i>	2019	2018 restated
Net income attributable to owners of the parent	1,528.2	1,405.5
Net income from associates	15.9	16.6
Net income attributable to non-controlling interests	(7.0)	(5.1)
Tax expense	(751.0)	(672.2)
Net income before tax	2,270.3	2,066.2
Effective tax rate	33.1%	32.5%
Current tax rate in France ¹	34.4%	34.4%
Theoretical tax expense	(781.7)	(711.4)
<i>Reconciliation items:</i>		
♦ differences relating to foreign taxation (primarily the tax rate)	128.9	136.5
♦ permanent differences and other ²	(98.2)	(97.3)
TOTAL	(751.0)	(672.2)

(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, and prior year adjustments. Last year, the €52.7 million gain realised on the disposal of the Galleria premises (see Note 8) was not taxable, leading to a reduction of 0.8 pt on the 2018 tax rate.

The Group's companies are regularly audited by the tax authorities of the countries in which they operate. Litigation concerning two Group companies in France was the subject of a group settlement signed at the end of the year. This overall agreement, without any significant impact on the financial statements for the financial year, resolved a dispute relating to income tax for the years 2013 to 2018.

Risks, and uncertain tax positions are subject to appropriate debts, for which the amounts are reviewed by Group management, together with its legal advisors, in accordance with the criteria of IAS 12 and IFRIC 23.

10.3 Deferred taxes

The net change in deferred tax assets and liabilities is broken down as follows:

<i>In millions of euros</i>	2019	2018 restated
Deferred tax assets at 1 January	462.4	363.5
Deferred tax liabilities at 1 January	37.3	45.1
Net deferred tax assets at 1 January	425.1	318.4
Impact on statement of profit or loss	47.8	57.4
Impact of exchange rate movements	5.5	5.6
Equity impact ⁽¹⁾	7.8	43.6
Net deferred tax assets at the end of the period	486.2	425.1
Balance of deferred tax assets at the end of the period	510.8	462.4
Balance of deferred tax liabilities at the end of the period	24.6	37.3

(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 from actuarial gains and losses on employee benefit obligations. These changes had no impact on net income for the financial year (see Note 23.4).

Deferred taxes mainly related to the following adjustments:

<i>In millions of euros</i>	2019	2018 restated
Internal margins on inventories and provisions for inventories	308.8	286.5
Employee benefits	74.7	57.8
Derivatives	(19.7)	(31.9)
Impairment losses	29.5	24.1
Regulated provisions	(39.3)	(43.1)
Other	132.2	131.7
TOTAL	486.2	425.1

Deferred tax assets linked to tax loss carry-forwards were not material as at 31 December 2018 and 2019.

As at 31 December 2019, tax loss carry-forwards and other temporary differences that did not lead to the recognition of deferred tax assets represented potential tax savings of €55.1 million (compared with €57.1 million in 2018).

NOTE 11 EARNINGS PER SHARE

The calculation and reconciliation of basic earnings per share and diluted earnings per share is as follows:

	2019	2018 restated
Numerator (in millions of euros)		
Net profit attributable to owners of the parent	1,528.2	1,405.5
Denominator (in number of shares)		
Average number of shares outstanding during the financial year	105,569,412	105,569,412
Average number of treasury shares during the financial year	(1,336,179)	(1,342,335)
Average number of shares before dilution	104,233,233	104,227,077
Earnings per share in euros	14.66	13.48
Dilutive effect of free share plans	822,098	652,740
Average number of shares after dilution	105,055,331	104,879,817
Diluted earnings per share (in euros)	14.55	13.40
Average share price	€607.44	€509.85

NOTE 12 GOODWILL

In millions of euros	31/12/2018	Increases	Decreases	Exchange rate impact	Other	31/12/2019
Goodwill	139.8	-	-	1.4	-	141.2
TOTAL GROSS VALUES	139.8	-	-	1.4	-	141.2
Amortisation recognised before 1 January 2004	31.6	-	-	0.8	-	32.4
Impairment losses	92.5	-	-	0.1	-	92.6
TOTAL AMORTISATION AND IMPAIRMENT	124.1	-	-	0.9	-	125.0
TOTAL NET VALUES	15.7	-	0.0	0.5	-	16.2

NOTE 13 INTANGIBLE ASSETS

In millions of euros	31/12/2018 restated	Increases ¹	Decreases	Exchange rate impact	Other	31/12/2019
Concessions, patents, licences and software	279.4	60.4	(0.4)	0.8	16.1	356.2
Other intangible assets	141.2	6.0	(12.9)	3.1	(1.1)	136.3
Assets under construction	22.0	28.3	-	-	(17.5)	32.8
TOTAL GROSS VALUES	442.6	94.7	(13.3)	3.9	(2.6)	525.3
Amortisation of concessions, patents, licences and software	175.6	40.8	(0.4)	0.6	0.8	217.5
Amortisation of other intangible assets	110.9	5.6	(12.5)	2.8	(3.4)	103.4
Impairment losses	14.0	6.6	(0.4)	0.1	-	20.3
TOTAL AMORTISATION AND IMPAIRMENT	300.5	53.0	(13.3)	3.5	(2.6)	341.2
TOTAL NET VALUES	142.1	41.7	(0.0)	0.4	0.0	184.1

(1) Investments mainly concern the acquisition, implementation and/or development of software and ERP.

NOTE 14 LEASES**14.1 Right-of-use assets**

The breakdown of right-of-use assets by nature of the underlying asset is as follows:

<i>In millions of euros</i>	31/12/2018 Net	Gross	Amortisation and impairment	31/12/2019 Net
Stores	814.2	1,449.5	(657.9)	791.7
Offices and other	168.7	282.5	(119.9)	162.6
TOTAL	982.9	1,732.0	(777.7)	954.3

The change in right-of-use assets during the financial year is as follows:

<i>In millions of euros</i>	Stores	Offices and other	Total
Gross amount at 1 January	1,365.1	260.2	1,625.3
Implementation of new leases and revisions	163.7	30.9	194.7
Expiry and early termination of leases	(105.8)	(10.4)	(116.2)
Exchange rate impact	25.7	1.8	27.5
Other movements and reclassifications	0.8	-	0.7
GROSS AMOUNT AT THE END OF THE PERIOD	1,449.5	282.5	1,732.0

<i>In millions of euros</i>	Stores	Offices and other	Total
Amortisation and impairment losses at 1 January	(550.9)	(91.4)	(642.4)
Amortisation and impairment	(181.5)	(36.7)	(218.2)
Expiry and early termination of leases	85.8	9.0	94.8
Exchange rate impact	(11.2)	(0.7)	(11.9)
Other movements and reclassifications	(0.1)	-	(0.1)
AMORTISATION AND IMPAIRMENT LOSSES AT END OF PERIOD	(657.9)	(119.9)	(777.7)

14.2 Lease liabilities

<i>In millions of euros</i>	< 1 year	1 to 5 years	> 5 years	31/12/2019	31/12/2018
Total lease liabilities	195.6	531.1	364.9	1,091.6	1,116.0

The change in liabilities over the financial year is analysed below:

<i>In millions of euros</i>	
Lease liabilities at 1 January	1,116.0
Implementation of new leases and revisions	180.7
Expiry and early termination of leases	(21.6)
Repayments	(202.8)
Exchange rate impact	18.3
Other movements and reclassifications	1.0
LEASE LIABILITIES AT END OF PERIOD	1,091.6

At the end of December 2019, rents relating to uncapitalised leases correspond to rents with variable payments in the amount of €259.5 million for the financial year (compared with €223.5 million for the financial year 2018) and exempted rents (rents on assets with a low

unit value or on leases with a remaining term of less than 12 months) in the amount of €9.2 million (compared with €8.4 million in 2018).

Financial expenses relating to lease liabilities are presented in Note 9.

NOTE 15 PROPERTY, PLANT AND EQUIPMENT

<i>In millions of euros</i>	31/12/2018	Increases ¹	Decreases	Exchange rate impact	Other	31/12/2019
Land	155.3	2.7	-	3.5	2.6	164.0
Buildings	854.1	93.3	(7.8)	9.5	6.8	955.8
Industrial machinery, plant and equipment	335.7	27.2	(13.2)	2.5	11.2	363.4
Store fixtures and furnishings	887.7	106.4	(33.4)	13.6	39.0	1,013.3
Other property, plant and equipment assets	374.5	30.8	(10.9)	1.5	11.6	407.5
Assets under construction	94.7	123.0	(0.1)	1.3	(83.1)	135.9
TOTAL GROSS VALUES	2,701.9	383.4	(65.3)	31.9	(11.9)	3,039.9
Depreciation of buildings	334.8	38.1	(4.8)	4.0	0.5	372.7
Depreciation of plant, machinery and equipment	197.5	23.9	(12.4)	1.1	4.4	214.6
Depreciation of store fixtures and furnishings	490.3	90.8	(33.2)	7.0	(6.7)	548.2
Depreciation of other property, plant and equipment	235.9	34.7	(10.8)	0.9	(6.6)	254.1
Impairment losses ²	98.0	17.1	(4.2)	1.2	(3.6)	108.5
TOTAL AMORTISATION AND IMPAIRMENT	1,356.5	204.7	(65.4)	14.2	(12.0)	1,498.1
TOTAL NET VALUES	1,345.4	178.7	0.0	17.7	0.1	1,541.8

(1) Investments made in 2019 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 2018, changes in property, plant and equipment were as follows:

<i>In millions of euros</i>	31/12/2017	Increases ¹	Decreases	Exchange rate impact	Other	31/12/2018
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
Fixed assets under construction	91.3	87.7	(0.2)	0.8	(84.8)	94.7
TOTAL GROSS VALUES	2,482.8	250.1	(61.8)	34.0	(3.2)	2,701.9
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 ²	81.3	19.3	(0.9)	0.6	(2.4)	98.0
TOTAL AMORTISATION AND IMPAIRMENT	1,199.5	189.5	(43.8)	15.3	(4.0)	1,356.5
TOTAL NET VALUES	1,283.3	60.6	(18.0)	18.7	0.8	1,345.4

(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.

NOTE 16 INVESTMENT PROPERTY

<i>In millions of euros</i>	31/12/2018	Increases	Decreases	Exchange rate impact	Other	31/12/2019
Land	29.4	-	-	1.4	-	30.7
Buildings	69.6	-	-	3.2	-	72.8
TOTAL GROSS VALUES	99.1	-	-	4.5	-	103.4
Amortisation	22.2	2.2	-	1.1	-	25.4
TOTAL NET VALUES	76.9	(2.2)	-	3.4	-	78.0

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 €8.9 million in the year (compared with €8.4 million in 2018).

NOTE 17 FINANCIAL ASSETS

<i>In millions of euros</i>	31/12/2018	Increases ¹	Decreases	Exchange rate impact	Other ²	31/12/2019
Financial investments and accrued interest	301.8	75.1	(35.0)	-	(8.0)	333.9
Liquidity contract	10.3	1.6	-	-	-	12.0
Other non-consolidated investments	1.2	14.0	-	-	-	15.2
Other financial assets	14.2	6.3	(0.6)	0.2	9.1	29.1
TOTAL GROSS VALUES	327.3	96.9	(35.6)	0.2	1.1	390.2
Impairments	13.5	10.6	(0.0)	0.2	8.5	32.8
TOTAL NET VALUES	313.9	86.3	(35.6)	0.0	(7.4)	357.4

(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, in compliance with the method described in Note 1.10.

Classification and fair value measurement of these financial assets is presented in Note 25.4.

NOTE 18 INVESTMENTS IN ASSOCIATES

<i>In millions of euros</i>	2019	2018 restated
Balance as at 1 January	75.1	72.5
Impact of changes in scope of consolidation	-	-
Net income from associates	15.9	16.6
Dividends paid	(24.2)	(17.6)
Exchange rate impact	0.9	0.7
Other ¹	11.5	3.0
Balance at end of period	79.3	75.1

(1) Includes the reclassification in "Provisions" of the share in the losses of equity-accounted associates, when this exceeds the carrying amount of the investments concerned, as set out in 1.6.2.

NOTE 19 LOANS AND DEPOSITS

<i>In millions of euros</i>	31/12/2018	Increases	Decreases	Exchange rate impact	Other	31/12/2019
Loans and deposits ¹	65.6	15.8	(4.0)	1.2	(1.2)	77.4
Impairments	18.9	1.2	(1.2)	0.5	(0.1)	19.3
TOTAL	46.7	14.6	(2.9)	0.8	(1.1)	58.1

(1) Security deposits amounted to €56.1 million as at 31 December 2019, compared with €43.9 million as at 31 December 2018.

NOTE 20 INVENTORIES AND WORK-IN-PROGRESS

<i>In millions of euros</i>	31/12/2019			31/12/2018		
	Gross	Impairment	Net	Gross	Impairment	Net
Retail, intermediate and finished goods	1,206.5	453.9	752.6	1,030.8	422.1	608.7
Raw materials and work-in-progress	644.0	264.0	380.0	600.2	245.3	354.9
TOTAL	1,850.4	717.8	1,132.6	1,631.0	667.4	963.6
Net income/(expense) from impairment of retail, intermediate and finished goods	-	(26.4)	-	-	(5.0)	-
Net income/(expense) from impairment of raw materials and work in progress	-	(17.4)	-	-	(34.5)	-

No inventories were offered as collateral to secure financial debt.

NOTE 21 TRADE AND OTHER RECEIVABLES

<i>In millions of euros</i>	31/12/2019			31/12/2018
	Gross	Impairment	Net	Net restated
Trade and other receivables	324.7	(6.8)	317.9	280.7
of which: ♦ not yet due	288.1		288.1	250.2
♦ due ¹	36.6	(6.8)	29.8	30.5
Tax receivables	20.7	-	20.7	17.9
Other assets	198.8	-	198.6	199.4
Other non-current assets	10.8	-	10.5	15.3
TOTAL	555.1	(6.8)	547.8	513.3

(1) The amount of trade and other receivables payable is broken down as follows:

	31/12/2019			31/12/2018
	Gross	Impairment	Net	Net
Under 3 months	30.7	1.8	28.9	28.1
Between 3 and 6 months	1.2	0.3	0.9	2.4
Over 6 months	4.7	4.7	-	-
TOTAL	36.6	6.8	29.8	30.5

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 2019 (2% at end of 2018). There is no significant concentration of credit risk.

NOTE 22 CASH AND CASH EQUIVALENTS**22.1 Change in net cash position**

<i>In millions of euros</i>	31/12/2018	Cash flows	Exchange rate impact	Impact on scope of consolidation	Other ¹	31/12/2019
Cash and cash equivalents	1,050.7	(45.1)	13.0	-	(0.3)	1,018.3
Marketable securities ²	2,428.7	926.4	10.8	-	-	3,365.9
Cash and cash equivalents	3,479.4	881.3	23.8	-	(0.3)	4,384.2
Bank overdrafts and short-term debt (see Note 25.3)	(14.3)	1.7	0.0	-	-	(12.6)
NET CASH POSITION	3,465.1	883.0	23.8	-	(0.3)	4,371.6

(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 -€0.1 million in 2019 (versus -€0.3 million in 2018). Unrealised gains or losses as at 31 December 2019 stood at -€0.9 million.

22.2 Change in working capital requirements

<i>In millions of euros</i>	31/12/2019	31/12/2018
Inventories and work-in-progress	(159.6)	(66.3)
Trade and other receivables	(13.9)	(12.3)
Trade and other payables	(16.1)	(3.8)
Other receivables and payables	213.5	159.2
TOTAL	23.9	76.7

NOTE 23 EQUITY

As at 31 December 2019, Hermès International's share capital consisted of 105,569,412 fully paid-up shares with a par value of €0.51 each, of which 1,361,629 treasury shares.

In financial year 2019, the following treasury share movements occurred:

- ♦ buyback of 84,757 shares for €52.4 million, excluding movements under the liquidity contract;
- ♦ sale of 1,507 shares as part of the liquidity contract;
- ♦ delivery of 39,000 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 1.10 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 flexibility, 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.

23.1 Dividends

At the General Meeting of 4 June 2019, called to approve the financial statements for the year ended 31 December 2018, it was decided to pay an ordinary dividend of €4.55 per share for the year.

Taking into account the interim cash dividend of €1.50 per share paid on 22 February 2019, a cash balance of €3.05 was paid on 11 June 2019.

The total amount of ordinary dividends paid was accordingly €474.3 million.

23.2 Foreign currency adjustments

The change in foreign currency adjustments in the financial year is analysed below:

	31/12/2019	31/12/2018 restated
Balance as at 1 January	88.0	13.5
US dollar	13.3	29.9
Hong Kong dollar	10.5	13.6
Pound sterling	8.9	(0.4)
Yen	5.9	17.0
Singapore dollar	6.5	14.1
Yuan	4.8	4.5
Swiss franc	3.6	3.9
Macao pataca	1.8	2.5
Rouble	1.5	(1.6)
Other currencies	(6.0)	(8.9)
Balance at end of period	138.7	88.0

23.3 Revaluation adjustments

2019 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>	31/12/2019	31/12/2018 restated
Balance as at 1 January	48.0	131.4
Amount transferred to equity in the year in respect of derivatives	37.6	(34.9)
Revaluation of derivatives	(32.9)	(33.3)
Revaluation of financial investments	-	27.6
Other deferred foreign exchange gains/(losses) recognised in comprehensive income	(1.8)	(8.6)
First-time application of IFRS 9	-	(34.2)
Balance at end of period	50.9	48.0

23.4 Income and expenses recognised in comprehensive income

In 2019, income and expenses recognised directly in equity break down as follows:

<i>In millions of euros</i>	Notes	Gross impact	Tax impact	Net impact
Actuarial gains and losses	28.3.4	(47.8)	11.8	(36.0)
Foreign currency adjustments	23.2	50.1	-	50.1
Revaluation adjustments	23.3	6.8	(4.0)	2.8
Balance as at 31 December 2019				16.9

In 2018:

<i>In millions of euros</i>	Notes	Gross impact	Tax impact	Restated net impact
Actuarial gains and losses	28.3.4	7.2	(1.7)	5.5
Foreign currency adjustments	23.2	74.8	-	74.8
Revaluation adjustments	23.3	(94.6)	45.4	(49.2)
Balance as at 31 December 2018				31.1

NOTE 24 NON-CONTROLLING INTERESTS*In millions of euros*

	31/12/2019	31/12/2018 restated
Balance as at 1 January	4.9	6.6
Net income attributable to non-controlling interests	7.0	5.1
Dividends paid to non-controlling interests	(4.0)	(4.3)
Foreign currency translation adjustments on foreign entities	0.7	0.4
Other changes	(0.8)	(3.0)
Balance at end of period	7.8	4.9

NOTE 25 EXPOSURE TO MARKET RISKS**25.1 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.

25.2 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 an 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.

25.2.1 NET CURRENCY POSITION

As at 31 December 2019

In millions of euros	Monetary assets/(liabilities) ¹	Future cash flows	Net position before hedging	Derivatives ²	Net position after hedging	Hedging ratio
US dollar	5.9	647.2	653.1	(683.2)	(30.1)	105%
Yuan	160.3	491.9	652.2	(630.2)	22.0	97%
Singapore dollar	21.1	427.3	448.4	(450.1)	(1.6)	100%
Yen	21.3	395.5	416.7	(418.0)	(1.3)	100%
Hong Kong dollar	29.5	344.6	374.1	(366.7)	7.4	98%
Euro ³	(409.1)	93.6	(315.6)	317.6	2.0	101%
Pound sterling	(13.7)	130.9	117.2	(117.7)	(0.5)	100%
Australian dollar	62.5	45.3	107.8	(107.1)	0.8	99%
Swiss franc	3.7	59.1	62.9	(66.1)	(3.3)	105%
Canadian dollar	7.9	48.5	56.4	(55.8)	0.6	99%
Thai baht	10.3	41.2	51.5	(50.6)	0.8	98%
Other currencies	29.4	77.5	107.0	(100.8)	6.1	94%
SUMMARY	(70.9)	2,802.6	2,731.7	(2,728.8)	2.9	100%

- (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. Exceptionally, this may include internal transactions in euros, excluding sales of goods with subsidiaries that have a different functional currency.

As at 31 December 2018

In millions of euros	Monetary assets/(liabilities) ¹	Future cash flows	Net position before hedging	Derivatives ²	Net position after hedging	Hedging ratio
Yuan	145.1	371.8	516.9	(510.0)	6.9	99%
Yen	19.3	356.3	375.6	(374.5)	1.1	100%
Singapore dollar	52.7	284.9	337.6	(341.9)	(4.3)	101%
Hong Kong dollar	27.6	262.7	290.3	(295.8)	(5.5)	102%
US dollar	(214.8)	500.0	285.2	(293.2)	(8.0)	103%
Pound sterling	(3.5)	106.4	102.9	(107.5)	(4.7)	105%
Euro ³	14.4	80.0	94.4	(91.7)	2.7	97%
Swiss franc	10.1	52.0	62.1	(66.4)	(4.4)	107%
Canadian dollar	5.3	42.1	47.4	(47.1)	0.4	99%
Australian dollar	4.8	37.8	42.6	(42.6)	(0.1)	100%
Thai baht	4.4	32.9	37.2	(36.3)	0.9	98%
Other currencies	19.2	56.6	75.9	(71.8)	4.1	95%
SUMMARY	84.4	2,183.4	2,267.9	(2,278.7)	(10.9)	100%

- (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. Exceptionally, this may include internal transactions in euros, excluding sales of goods with subsidiaries that have a different functional currency.

25.2.2 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 -€219.5 million decrease in equity (before tax) in the fair value reserve. An impairment of 10% would have an impact of +€215.1 million (before tax). Moreover, a 10% appreciation in the currencies to which the Group is exposed would lead to an impact of +€0.3 million on net income at the closing date. A -0.3% impairment would have led to an impact of -€0.3 million.

25.2.3 ANALYSIS OF CURRENCY AGREEMENTS

			Market value of the contracts as at 31 December 2019 ¹			
<i>In millions of euros</i>	Nominal amounts of derivatives	Nominal amounts of derivatives used to hedge foreign exchange risk	Future cash flow hedge	Fair value hedge	Unallocated	Total
Options purchased						
US dollar puts	50.7	50.7	1.3	-	-	1.3
US dollar collars	279.0	279.0	4.5	-	-	4.5
Chinese yuan puts	20.0	20.0	0.9	-	-	0.9
Chinese yuan collars	220.4	220.4	4.2	-	-	4.2
Japanese yen puts	32.1	32.1	0.6	-	-	0.6
Japanese yen collars	236.8	236.8	2.7	-	-	2.7
Singapore dollar puts	46.8	46.8	0.7	-	-	0.7
Singapore dollar collars	232.1	232.1	1.6	-	-	1.6
Hong Kong dollar puts	32.6	32.6	0.7	-	-	0.7
Hong Kong dollar collars	177.8	177.8	2.3	-	-	2.3
	1,328.3	1,328.3	19.5	-	-	19.5
Forward currency agreements ²						
US dollar	339.2	339.2	(3.5)	(0.2)	-	(3.7)
Euro ³	(336.6)	(336.6)	6.4	-	(0.1)	6.3
Yuan	249.4	249.4	(3.3)	-	-	(3.3)
Singapore dollar	148.5	148.5	(6.9)	-	-	(6.9)
Hong Kong dollar	134.1	134.1	(6.0)	-	-	(6.0)
Pound sterling	130.9	130.9	(5.8)	-	-	(5.8)
Yen	126.6	126.6	(0.8)	-	-	(0.8)
Swiss franc	59.1	59.1	(1.6)	-	-	(1.6)
Canadian dollar	48.5	48.5	(1.8)	-	-	(1.8)
Australian dollar	45.6	45.6	0.9	-	-	0.9
Thai baht	41.2	41.2	(1.7)	-	-	(1.7)
Other	81.2	81.1	(5.1)	-	-	(5.1)
	1,067.6	1,067.6	(29.2)	(0.2)	(0.1)	(29.5)
Currency swaps ²						
US dollar	14.3	(7.9)	(0.0)	-	0.3	0.3
Yuan	140.3	141.0	0.1	-	-	0.1
Singapore dollar	22.8	22.8	0.0	-	-	0.0
Hong Kong dollar	22.1	22.1	0.2	-	-	0.2
Yen	22.6	21.1	0.0	-	-	0.0
Australian dollar	61.5	62.2	(1.1)	-	-	(1.0)
Other	49.3	45.8	(0.1)	-	-	(0.2)
	332.9	307.1	(0.9)	-	0.3	(0.6)
TOTAL	2,728.8	2,703.1	(10.6)	(0.2)	0.2	(10.6)

(1) Gain/(Loss).

(2) Sale/(Purchase).

(3) Euro foreign exchange rate risk for subsidiaries that have a different functional currency. Exceptionally, this may include internal transactions in euros, excluding sales of goods with subsidiaries that have a different functional currency.

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 ¹			
			Future cash flow hedge	Fair value hedge	Unallocated	Total
Options purchased						
Japanese yen <i>puts</i>	28.9	28.9	0.4	-	-	0.4
Japanese yen <i>collars</i>	201.1	201.1	(0.5)	-	-	(0.5)
US dollar <i>puts</i>	128.8	35.5	0.8	-	0.3	1.1
<i>Calls</i> US dollars	(62.6)			-	1.0	1.0
US dollar <i>collars</i>	123.2	123.2	1.7	-	-	1.7
Chinese yuan <i>puts</i>	15.2	15.2	0.8	-	-	0.8
Chinese yuan <i>collars</i>	167.6	167.6	4.0	-	-	4.0
Singapore dollar <i>puts</i>	20.0	20.0	0.3	-	-	0.3
Singapore dollar <i>collars</i>	140.3	140.3	1.0	-	-	1.0
Hong Kong dollar <i>puts</i>	83.7	23.5	0.4	-	0.1	0.5
<i>Calls</i> Hong Kong dollars	(40.3)	-	-	-	0.6	0.6
Hong Kong dollar <i>collars</i>	82.0	82.0	0.9	-	-	0.9
	887.9	837.3	10.0	-	2.0	12.0
Forward currency agreements ²						
US dollar	353.5	353.5	(12.9)	(0.3)	(0.0)	(13.2)
Yuan	199.4	199.4	(3.4)	-	-	(3.4)
Hong Kong dollar	158.6	159.9	(7.3)	-	(0.0)	(7.3)
Yen	126.2	126.2	(4.4)	-	-	(4.4)
Singapore dollar	117.7	119.5	(9.0)	-	(0.1)	(9.1)
Pound sterling	106.4	106.4	0.6	-	(0.0)	0.6
Swiss franc	51.9	52.0	(1.6)	-	0.0	(1.6)
Euro ³	80.0	80.0	3.4	-	(0.1)	3.3
Canadian dollar	42.1	42.1	(0.0)	-	-	(0.0)
Australian dollar	37.9	37.9	2.4	-	-	2.4
Thai baht	32.9	32.9	(0.3)	-	-	(0.3)
Other currencies	60.8	60.8	0.2	-	(0.0)	0.2
	1,367.3	1,370.6	(32.4)	(0.3)	(0.2)	(32.9)
Currency swaps ²						
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
Other currencies	51.6	42.8	0.3	-	0.0	0.4
	74.1	44.8	(0.2)	-	0.2	(0.0)
Options sold						
US dollar <i>puts</i>	(93.3)	-	-	-	(0.3)	(0.3)
US dollar <i>calls</i>	62.6	-	-	-	(1.0)	(1.0)
Hong Kong dollar <i>puts</i>	(60.2)	-	-	-	(0.1)	(0.1)
Hong Kong dollar <i>calls</i>	40.3	-	-	-	(0.6)	(0.6)
	(50.7)	-	-	-	(2.0)	(2.0)
TOTAL	2,278.7	2,252.6	(22.6)	(0.3)	(0.1)	(23.0)

(1) Gain/(Loss).

(2) Sale/(Purchase).

(3) Euro foreign exchange rate risk for subsidiaries that have a different functional currency. Exceptionally, this may include internal transactions in euros, excluding sales of goods with subsidiaries that have a different functional currency.

25.3 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 the closing date. As at 31 December 2019, 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.

As at 31 December 2019						
<i>In millions of euros</i>	< 1 year	1 to 5 years	> 5 years	Total	Floating rate	Fixed rate
Financial assets	4,384.2	-	-	4,384.2	1,608.2	2,776.0
Euro	3,576.4	-	-	3,576.4	1,133.4	2,443.0
US dollar	190.8	-	-	190.8	185.0	5.8
Yuan	161.1	-	-	161.1	26.7	134.4
Singapore dollar	147.6	-	-	147.6	29.3	118.3
Hong Kong dollar	78.6	-	-	78.6	38.6	40.0
Other currencies	229.7	-	-	229.7	195.2	34.5
Financial liabilities ¹	20.5	1.0	-	21.5	21.2	0.3
Euro	11.2	1.0	-	12.2	11.8	0.3
Other currencies ²	9.4	-	-	9.4	9.4	-
Net cash position before hedging	4,363.7	(1.0)	-	4,362.7	1,587.0	2,775.7
Net cash position after hedging	4,363.7	(1.0)	-	4,362.7	1,587.0	2,775.7

As at 31 December 2019						
<i>In millions of euros</i>	< 1 year	1 to 5 years	> 5 years	Total	Floating rate	Fixed rate
Financial assets	4,384.2	-	-	4,384.2	1,608.2	2,776.0
Cash and cash equivalents	4,384.2	-	-	4,384.2	1,608.2	2,776.0
Financial liabilities ¹	20.5	1.0	-	21.5	21.2	0.3
Medium and long-term financial liabilities	7.9	1.0	-	8.9	8.9	-
Bank overdrafts and short-term liabilities	12.6	-	-	12.6	12.3	0.3
Net cash position before hedging	4,363.7	(1.0)	-	4,362.7	1,587.0	2,775.7
Net cash position after hedging	4,363.7	(1.0)	-	4,362.7	1,587.0	2,775.7

(1) Excluding commitments to acquire non-controlling interests (€28.7 million as at 31 December 2019).

(2) Mainly consists of long-term amortisable floating-rate loan taken out by Hermès Brazil and foreign subsidiaries' bank overdrafts.

As at 31 December 2018

<i>In millions of euros</i>	< 1 year	1 to 5 years	> 5 years	Total	Floating rate	Fixed rate
Financial assets	3,479.1	-	-	3,479.1	1,190.2	2,288.9
Euro	2,499.6	-	-	2,499.6	758.6	1,741.0
US dollar	227.1	-	-	227.1	227.1	-
Yuan	124.8	-	-	124.8	19.7	105.1
Singapore dollar	157.9	-	-	157.9	16.8	141.1
Hong Kong dollar	233.7	-	-	233.7	19.6	214.1
Other currencies	235.9	-	-	235.9	148.3	87.6
Financial liabilities ¹	22.5	1.0	-	23.6	23.1	0.4
Euro	14.5	1.0	-	15.5	15.1	0.4
Other currencies ²	8.0	-	-	8.0	8.0	-
Net cash position before hedging	3,456.5	(1.0)	-	3,455.5	1,167.1	2,288.5
Net cash position after hedging	3,456.5	(1.0)	-	3,455.5	1,167.1	2,288.5

(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 loan taken out by Hermès Brazil and foreign subsidiaries' bank overdrafts.

As at 31 December 2018

<i>In millions of euros</i>	< 1 year	1 to 5 years	> 5 years	Total	Floating rate	Fixed rate
Financial assets	3,479.1	-	-	3,479.1	1,190.2	2,288.9
Cash and cash equivalents	3,479.1	-	-	3,479.1	1,190.2	2,288.9
Financial liabilities ¹	22.5	1.0	-	23.6	23.1	0.4
Medium and long-term financial liabilities	8.2	1.0	-	9.3	9.3	-
Bank overdrafts and short-term liabilities	14.3	-	-	14.3	13.9	0.4
Net cash position before hedging	3,456.5	(1.0)	-	3,455.5	1,167.1	2,288.5
Net cash position after hedging	3,456.5	(1.0)	-	3,455.5	1,167.1	2,288.5

(1) Excluding commitments to acquire non-controlling interests (€26.5 million as at 31 December 2018).

25.3.1 EQUITY RISK

Investments in equities are not material at Group level. As such, the Group has no exposure to equity risk.

25.3.2 SENSITIVITY TO INTEREST RATE FLUCTUATIONS

A uniform 1 percentage point increase in interest rates would have had a positive impact of €15.9 million on the consolidated net income before tax (€11.7 million in 2018).

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".

25.4 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 2019 and 2018, there were no transfers between levels 1 and 2 for financial assets and liabilities recognised at fair value.

2019

<i>In millions of euros</i>	<i>Note</i>	Assets at Fair Value through profit or loss^{1 2}	Financial assets at amortised cost	Non-recyclable financial assets at Fair Value through equity	Liabilities at Fair Value²	Liabilities at amortised cost	Net carrying amount	Fair value	Evaluation level	Interest rate	Effective interest rate
Financial investments		10.0	180 ³	143.7	-	-	333.9	333.9	2	-	-
Liquidity contract		12.0	-	-	-	-	12.0	12.0	1	-	-
Other financial assets		1.4	-	-	-	-	1.4	1.4	2	-	-
Other non-consolidated investments		-	-	10.2	-	-	10.2	10.2	2	-	-
Financial assets	17	23.4	180.0	153.9	-	-	357.4	357.4			
Loans and deposits	19	-	58.1	-	-	-	58.1	58.1	2	-	-
Trade and other receivables	21	-	547.8	-	-	-	547.8	547.8	-	-	-
Foreign currency derivative assets	25.2.3	36.5	-	-	-	-	36.5	36.5	2		
Cash and cash equivalents	22	1,608.2	2,776.0	-	-	-	4,384.2	4,384.2	1	-	-
Bank overdrafts	25	-	-	-	-	(12.6)	(12.6)	(12.6)	-	⁴	-
Loan Brazil	25	-	-	-	-	(7.8)	(7.8)	(7.8)	-	7.1%	7.1%
Other borrowings	25	-	-	-	-	(1.0)	(1.0)	(1.0)	-	1.6%	1.6%
Financial debts	25	-	-	-	-	(21.5)	(21.5)	(21.5)		-	-
Trade payables and other liabilities	29	-	-	-	-	(1,673.1)	(1,673.1)	(1,673.1)	-	-	-
Foreign currency derivative liabilities	25.2.3	-	-	-	(47.1)	-	(47.1)	(47.1)	2	-	-

(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) Comprised of EMTNs and term deposits not meeting the criteria of cash and cash equivalents.

(4) Interest rates correspond to floating rates.

2018

In millions of euros	Notes	Assets at fair value through profit or loss ^{1 2}	Financial assets at amortised cost	Non-recyclable financial assets at fair value through equity	Liabilities at fair value ²	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	2	-	-
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	2	-	-
Financial assets	17	19.1	150.0	144.9	-	-	313.9	313.9	-	-	-
Loans and deposits	19	-	46.7	-	-	-	46.7	46.7	-	-	-
Trade and other receivables	21	-	527.1	-	-	-	527.1	527.1	2	-	-
Foreign currency derivative assets	25.2.3	34.9	-	-	-	-	34.9	34.9	2	-	-
Cash and cash equivalents	22	1,181.2	2,297.9	-	-	-	3,479.1	3,479.1	1	-	-
Bank overdrafts	25	-	-	-	-	(14.3)	(14.3)	(14.3)	-	³	-
Loan Brazil	25	-	-	-	-	(8.0)	(8.0)	(8.0)	-	8.0%	8.0%
Other borrowings	25	-	-	-	-	(1.3)	(1.3)	(1.3)	-	2.0%	2.0%
Financial liability	25	-	-	-	-	(23.6)	(23.6)	(23.6)	-	-	-
Trade payables and other liabilities	29	-	-	-	-	(1,470.6)	(1,470.6)	(1,470.6)	-	-	-
Foreign currency derivative liabilities	25.2.3	-	-	-	(57.8)	-	(57.8)	(57.8)	2	-	-

(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.

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NOTE 26 PROVISIONS

In millions of euros	31/12/2018 restated	Depreciations	Reversals ¹	Exchange rate impact	Other and reclassifications ²	31/12/2019
Current provisions	96.3	39.4	(38.1)	1.2	2.5	101.4
Non-current provisions	16.4	0.6	(6.1)	0.4	17.7	29.0
TOTAL	112.8	40.0	(44.1)	1.6	20.2	130.4

(1) Of which €20 million reversed and used.

(2) Corresponds essentially to provisions for restoration costs, established or revised during the financial year in return for the right-of-use asset, which is amortised over the lifespan of the leases (see 1.1.1.1).

Current provisions concern provisions for risks, disputes and litigation, as well as provisions to cover the share of the negative position of equity-accounted associates (see Note 18).

Non-current provisions mainly include provisions for restoration.

NOTE 27 EMPLOYEES

A geographical breakdown of the workforce is as follows:

	31/12/2019	31/12/2018
France	9,522	8,846
Europe (excl. France)	1,652	1,510
Other geographical areas	4,243	3,928
TOTAL	15,417	14,284

The breakdown by category is as follows:

	31/12/2019	31/12/2018
Production	7,053	6,572
Sales	5,828	5,440
Other (design, communication and administration)	2,536	2,272
TOTAL	15,417	14,284

Employee expenses in 2019 totalled €1,253.7 million, compared with €1,126.3 million in 2018.

NOTE 28 POST-EMPLOYMENT AND OTHER EMPLOYEE BENEFIT OBLIGATIONS**28.1 Description of plans**

Hermès Group employees are eligible for short-term benefits (paid leave, sick leave, profit-sharing), long-term benefits (long-service awards), post-employment benefits under defined contribution/defined benefit plans (mainly retirement benefits, and supplemental pension plans) and other long-term benefits.

Post-employment benefits are awarded either through defined contribution plans or through defined-benefit plans.

28.1.1 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).

28.1.2 DEFINED BENEFIT PLANS

Under these plans, the employer assumes an obligation toward its employees. If these plans are not entirely funded in advance, a provision is recorded.

For the Group, the main defined-benefit plans apply mainly to:

- ♦ departure or retirement benefits in France, Belgium, Italy, Turkey, Greece, India, Thailand, Taiwan and Japan: these are lump sum payments 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;
- ♦ supplementary pension plans in France or abroad (Switzerland, Canada).

<i>In millions of euros</i>	< 1 year	> 1 year	2019	< 1 year	> 1 year	2018
Post-employment and similar benefit obligations	18.2	270.0	288.2	6.9	196.0	202.9
TOTAL	18.2	270.0	288.2	6.9	196.0	202.9

28.1.3 OTHER LONG-TERM BENEFITS

Other long-term benefits for the Group include:

- ♦ long-service awards 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, Asia-Pacific, Australia, Switzerland and England: long-service in certain foreign subsidiaries is compensated by the allocation of bonuses on specific anniversary dates.

28.2 Actuarial assumptions

For 2019, 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 ²
Discount rate	0.53% -0.26% ¹	0.53%	-0.05%	0.30%	0.60%	1.55%-7%
Increase in salaries	3.0%-4.0%	1.5%	2.0%	2.5%	3.5%	5.50%-8.50%

(1) Rates according to the duration of the plans.

(2) India, Malaysia, Thailand.

2018 Assumptions:

	France	Italy	Switzerland	Japan	Taiwan	Rest of Asia ²
Discounting rate	1.62% -1.20% ¹	1.6%	0.9%	0.6%	0.9%	0.5% -8.05%
Increase in salaries	3.0%	1.2%	2.0%	2.5%	3.5% -5%	3.50% -8.25%

(1) Rates according to the duration of the plans.

(2) 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 €20.1 million decrease or a €23.0 million increase in Hermès Group's

pension provision respectively, with the balancing entry recognised in equity.

As at 31 December 2019, contributions paid for the coming year (including contributions paid to a fund and benefits paid directly by the employer) totalled €7.9 million, compared with €5.9 million in 2018.

28.3 Change in provisions recognised in the balance sheet

In millions of euros	Post-employment plans	Other long-term benefits	2019	Post-employment plans	Other long-term benefits	2018
Provisions as at 1 January	189.0	13.9	202.9	180.7	13.5	194.2
Foreign currency adjustments	2.3	0.1	2.4	3.4	0.1	3.5
Cost according to statement of profit or loss	36.3	4.1	40.4	17.6	1.4	19.0
Benefits/contributions paid	(4.8)	(1.1)	(5.9)	(5.5)	(1.1)	(6.6)
Actuarial gains and losses	48.0	-	48.0	(7.2)	-	(7.2)
Other	0.4	0.1	0.5	-	-	-
Provisions at end of period	271.2	17.1	288.2	189.0	13.9	202.9

28.3.1 RECONCILIATION OF THE VALUE OF POST-EMPLOYMENT AND OTHER EMPLOYEE BENEFIT COMMITMENTS

<i>In millions of euros</i>	Post-employment plans	Other long-term benefits	2019	Post-employment plans	Other long-term benefits	2018
Present value of obligations at 1 January	244.6	13.9	258.4	242.4	13.6	256.0
Foreign currency adjustments	3.8	0.1	3.9	5.0	0.1	5.1
Service cost	15.0	1.5	16.5	15.1	1.4	16.5
Interest cost	2.7	0.3	3.0	2.2	0.2	2.4
Benefits paid	(3.0)	(0.7)	(3.7)	(14.9)	(1.0)	(15.9)
Employee contributions	1.7	-	1.7	1.6	-	1.6
Experience gains and losses	12.6	0.3	12.9	(2.0)	(0.1)	(2.1)
Actuarial gains and losses from demographic assumptions	0.4	-	0.4	2.2	0.1	2.3
Actuarial gains and losses from financial assumptions	36.5	1.6	38.1	(7.5)	(0.3)	(7.8)
Past service cost ¹	19.9	0.2	20.1	0.5	(0.2)	0.3
Other	(0.1)	-	(0.1)	-	-	-
Present value of obligations as at 31 December	334.1	17.2	351.2	244.6	13.9	258.4

(1) Corresponds mainly to the impact of the vesting of rights under certain plans following the entry into force of the French PACTE law and the Order of 3 July 2019.

28.3.2 EVALUATION OF FAIR VALUE OF PENSION PLANS

<i>In millions of euros</i>	2019	2018
Fair value of assets at 1 January	55.5	61.7
Employer contributions	6.2	5.4
Employee contributions	1.7	1.6
Benefits paid	(4.1)	(14.9)
Financial income	0.6	0.5
Administrative expenses	(0.2)	(0.2)
Foreign currency adjustments	1.7	1.5
Actuarial gains and losses	1.5	(0.1)
Fair value of assets as at 31 December	63.0	55.5

28.3.4 CHANGE IN ACTUARIAL GAINS AND LOSSES

<i>In millions of euros</i>	
Actuarial gains and losses recognised in equity as at 31 December 2018	129.8
Experience gains and losses	12.6
Actuarial gains and losses from changes in demographic assumptions	0.4
Actuarial gains and losses from changes in financial assumptions	36.5
Impact of limits on plan assets	(1.5)
Foreign currency adjustments	0.8
Actuarial gains and losses recognised in equity as at 31 December 2019	178.6

28.3.5 ANALYSIS OF EXPENSES RECOGNISED IN THE STATEMENT OF PROFIT OR LOSS

<i>In millions of euros</i>	Post-employment plans	Other long-term benefits	2019	Post-employment plans	Other long-term benefits	2018
Service costs	15.0	1.5	16.5	15.2	1.2	16.4
Interest costs	2.7	0.3	3.0	2.2	0.2	2.4
Financial income on assets	(0.6)	-	(0.6)	(0.5)	-	(0.5)
(Gains)/Loss related to past service costs ⁽¹⁾	19.9	0.2	20.1	0.5	-	0.5
Change in scope	-	-	-	-	-	-
Net actuarial (gains)/losses recognised	-	1.9	1.9	-	-	-
Administrative expenses	0.2	-	0.2	0.2	-	0.2
Expense on post-employment and similar benefit obligations	37.2	3.9	41.1	17.6	1.4	19.0

(1) Corresponds mainly to the impact of the vesting of rights in respect of certain plans following the entry into force of the French PACTE law and the Order of 3 July 2019.

28.4 Plan assets

The weighted average breakdown of plan assets by investment type is as follows:

	31/12/2019		31/12/2018	
<i>In millions of euros</i>	Value	Breakdown	Value	Breakdown
Shares	6.3	10%	5.6	10%
Obligations	44.1	70%	38.9	70%
Other	12.6	20%	11.1	20%
TOTAL	63.0	100%	55.5	100%

28.5 Information by geographical area

	31/12/2019		31/12/2018	
<i>In millions of euros</i>	Value	Breakdown	Value	Breakdown
France	215.4	61%	148.8	58%
Europe (excl. France)	75.5	21%	58.0	22%
Japan	51.1	15%	44.7	17%
Asia-Pacific (excl. Japan)	8.5	2%	6.4	2%
Americas	0.7	0%	0.5	1%
Present value of obligations	351.2	100%	258.4	100%
France	15.9	25%	14.5	26%
Europe (excl. France)	46.6	74%	40.6	73%
Asia-Pacific (excluding Japan)	0.5	1%	0.5	1%
Fair value of hedge assets	63.0	100%	55.5	100%
France	199.5	69%	134.3	66%
Europe (excl. France)	28.9	10%	17.4	9%
Japan	51.1	18%	44.7	22%
Asia-Pacific (excl. Japan)	8.0	3%	5.9	3%
Americas	0.7	0%	0.5	0%
Provisions for post-employment and similar benefit obligations	288.2	100%	202.9	100%

NOTE 29 ACCOUNTS PAYABLE 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>	31/12/2019	31/12/2018 restated
Accounts payable	405.5	416.1
Amounts payable to fixed asset suppliers	74.8	50.9
Trade and other payables	480.4	467.0
Current tax debts	360.1	314.6
Other current liabilities	800.2	572.2
Other non-current liabilities	32.5	46.5
TRADE PAYABLES AND OTHER LIABILITIES	1,673.1	1,400.3

NOTE 30 OFF-BALANCE SHEET COMMITMENTS, CONTINGENT ASSETS AND CONTINGENT LIABILITIES**30.1 Financial commitments**

Financial commitments were discounted at the rate of 8.45% in 2019 (8.67% in 2018).

<i>In millions of euros</i>	< 1 year	1 to 5 years	> 5 years	31/12/2019	31/12/2018
Bank guarantees given	4.4	9.5	3.6	17.5	8.0
Bank guarantees received	9.6	0.6	-	10.2	4.2
Commitments to purchase financial assets	-	14.3	10.4	24.7	24.5
Other commitments	58.9	64.4	0.1	123.4	121.3

Taking into account the application of IFRS 16, non-cancellable future commitments corresponding to the fixed rents of operating leases as they appeared in Note 28 of the consolidated financial statements, on page 283 of the 2018 registration document, are now recorded in the balance sheet as indicated in Note 1.1.1.1.

30.2 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 2019. 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 31 RELATED-PARTY TRANSACTIONS

31.1 Transactions with equity-accounted associates

Transactions with equity-accounted associates were not material in the financial year.

31.2 Other related-party transactions

Relationships with other related parties, within the meaning of IAS 24 Related Party Disclosures can be summarised as follows:

- ♦ RDAI: 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 €14.2 million excluding tax in 2019. 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 Board of Émile Hermès SARL or members of the Supervisory Board 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 €0.5 million in this respect in 2019 (including €0.2 million in respect of services provided, as 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 2019 came to €3.2 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 2019 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 11.91% equity interest in the company Ardian Holding, in which a member of the Supervisory Board has responsibilities. This commitment had been assumed 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 in chapter 8 of this document.

31.3 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 Boissy-d'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 net value of right-of-use assets for the above-mentioned leases stood at €52.7 million in 2019 (versus €59.4 million in 2018).

Amortisation of these right-of-use assets amounted to €9.4 million in 2019, compared with €9.1 million in 2018.

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 32 SENIOR EXECUTIVE COMPENSATION

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>	2019	2018
Short-term benefits	18.1	14.8
Post-employment benefits	2.9	3.4
Other long-term benefits	0.2	0.2
Share-based payments	4.3	2.2
TOTAL	25.4	20.5

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 33 SHARE-BASED PAYMENTS

The expense recognised in 2019 in respect of free share allocation plans totalled €114.1 million, compared with €72.0 million at end-2018.

33.1 New plans

In accordance with the authorizations granted by the Combined General Meeting of Shareholders of 4 June 2019 in its fifteenth resolution, the Executive Management decided, on 1 July 2019, to allocate the free shares described below.

- 1) Participatory plan covering an overall allocation of 310,944 conditional rights to receive free shares in favour of 12,956 Group employees.

This allocation is broken down into two tranches, each relating to 50% of the rights allocated with vesting periods of four and five years respectively. Final vesting of the shares in each tranche is also subject to a presence condition – the beneficiary must be part of the Group's workforce at the end of the respective vesting periods.

The main features of the allocation and the assumptions used to calculate the IFRS expense of the participatory plan are as follows:

- ♦ share price on grant date: €635.00;
- ♦ fair value of the share: €606.45 and €599.52 projecting out 4 and 5 years respectively, after taking into account the dividend yield rate;
- ♦ discounted average turnover rate over the vesting periods: 11.5% and 14.1% for French residents (over four and five years respectively) and 28.4% and 34.1% for foreign residents (over four and five years respectively).

The IFRS expense (excluding employer tax) incurred during the 2019 financial year for the plan issue amounted to €17.0 million.

- 2) Selective plan covering an overall allocation of 189,600 conditional rights to receive free shares in favour of a number of Group executives.

The vesting period for rights granted under this plan is four years.

Transfer of ownership of all shares is subject to the condition that the beneficiaries are part of the Group's workforce at the end of the vesting period. Furthermore, for 50% of the rights allocated, performance criteria (depending on the Group's results in 2019 and 2020) must also be met. In order to determine the expense recognised, the performance conditions were considered as met for the 2019 and 2020 financial years.

The main features of the allocation and the assumptions used to calculate the IFRS expense of the selective plan are as follows:

- ♦ share price on grant date: €635.00;
- ♦ fair value of the share: €606.45, after taking into account a dividend yield rate;
- ♦ discounted average turnover rate over the vesting period: 3.9% for French and foreign employees, over four years.

The IFRS expense (excluding employer tax) incurred during the 2019 financial year for the plan issue amounted to €13.8 million.

33.2 Reconciliation of free shares outstanding

The shares outstanding changed as follows during the financial year:

<i>in shares</i>	2019	2018
Outstanding as at 1 January	820,540	1,056,420
♦ of which exercisable	-	-
Issued	500,544	-
Exercised	(39,000)	(201,560)
Cancelled	-	-
Forfeited	(26,284)	(34,320)
Outstanding as at 31 December	1,255,800	820,540
♦ of which exercisable	-	-

Information on the free share allocation plans is provided in section 3.5.5 of this document (Table 9.1)

NOTE 34 INFORMATION ON FEES

During the 2019 financial year, the fees paid to the Statutory Auditors and to members of their networks were as follows:

<i>In millions of euros</i>	PricewaterhouseCoopers ¹				Didier Kling & Associés, member of the Grant Thornton network			
	2019	Breakdown	2018	Breakdown	2019	Breakdown	2018	Breakdown
Certification of financial statements								
♦ o/w Hermès International (parent company)	0.3	12%	0.3	11%	0.2	22%	0.2	31%
♦ o/w fully consolidated subsidiaries	1.5	64%	1.7	67%	0.6	78%	0.3	69%
Sub-total	1.7	75%	1.9	77%	0.8	100%	0.5	99%
Services other than certification of financial statements ²								
♦ o/w Hermès International (parent company)	0.3	12%	0.1	3%	-	-	0.0	0%
♦ o/w Fully consolidated subsidiaries	0.3	13%	0.5	19%	0.0	0%	0.0	1%
Sub-total	0.6	25%	0.6	23%	-	-	0.0	1%
TOTAL	2.3	100%	2.5	100%	0.8	100%	0.5	100%

- (1) Of which €0.7 million for certification of the financial statements and €0.2 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 essentially concern the work of an independent third party on labour, societal and environmental information, and internal control reviews.
- (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 certifications and reviews of compliance and internal control.

NOTE 35 SCOPE OF CONSOLIDATION

List of the main consolidated companies as at 31 December 2019 (distribution subsidiaries and holding companies of the divisions, for the major part):

Company	Office	Percentage 2019			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 Mûriers	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)	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	100	100	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 Guam	96910331 Tumon Sands Plaza 1082 Pale San Vitores Rd Tumon Guam 96913 (United States)	100	100	Full	-
Faubourg Italia	1/A Piazza della Repubblica, 20121 Milan (Italy)	60	60	Full	-
Financière Saint-Honoré	4 rue de la Tour de l'Île, 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	10, rue de Brederode Brussels 1000 (Belgium)	100	100	Full	-
Hermès Canada	130 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 Huahai Road, 200021 Shanghai (China)	100	100	Full	-
Hermès Cuir 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 Presidente Mazaryk 422, Local "A" Col Polanco, 11560 Mexico D.F. (Mexico)	54.21	54.21	Full	-
Hermès Do Brasil Industria E Comercio Ltda	Avenida Magalhaes de Castro, n° 12.000, Loja 32, Piso Terreo, Jardim Panarama, Sao Paulo (Brazil)	100	100	Full	-
Hermès E-MESA	1 Marina Boulevard, #28-00, Singapore 018989 (Singapore)	100	100	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 Holding GB	8 Hinde Street, London, W1U 3BQ (United Kingdom)	100	100	Full	-
Hermès Iberica	Paseo de la Castellana no. 28, 28046 Madrid (Spain)	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 (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	-

Company	Office	Percentage 2019			Registered no. (French SIREN)
		Control	Interest	Method*	
Hermès Italie	Via G. Serbelloni 1Gastone Pisoni 2, 20121 Milan (Italy)	100	100	Full	-
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, 018989 Singapore (Singapore)	100	100	Full	-
Hermès Monte-Carlo	11-13-15, avenue de Monte-Carlo, 98000 Monaco (Principality of Monaco)	99.98	99.98	Full	-
Hermès of Paris	55 East, 59th Street, 10022 New York (USA)	100	100	Full	-
Hermès Poland	Krakowskie Przedmieście 13, 00-071 Warszawa (Poland)	100	100	Full	-
Hermès Prague	Parizska 12/120, 11000 Prague (Czech Republic)	100	100	Full	-
Hermès Retail Malaysia	Level 6, Menara Asia Life, 189 JalanTunRazak, 50400 Kuala Lumpur (Malaysia)	100	100	Full	-
Hermès Rus AO	4, Nizhny Kiselny Sidestreet, Floor 5, Premises 1, Room 15, 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	100	100	Full	582 094 371
La Maroquinerie du Sud Ouest	Route de Saint-Martin-Le-Pin, Administrative Building, 24300 Nontron	100	100	Full	403 230 436
La Montre Hermès	Erlenstrasse 31 A, 2555 Brugg (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 Guyenne	23, rue Boissy-d'Anglas, 75008 Paris	100	100	Full	812 935 013
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-en-Dauphiné	100	100	Full	480 011 451
Motsch-George V	23, rue Boissy-d'Anglas, 75008 Paris	100	100	Full	440 252 476
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	100	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 2019

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 2019.

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 2019 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 2019 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. EMPHASIS OF MATTER

Without calling the opinion expressed above into question, we draw your attention to Note 1.1.1 "Mandatory standards, amendments and interpretations applicable as at 1 January 2019" to the consolidated financial statements, which describes the consequences of the adoption of IFRS 16 Leases.

4. 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. We do not provide a separate opinion on specific items of the consolidated financial statements.

First-time application of IFRS 16 Notes 1.1.1., 1.7 and 14 of the Notes to the consolidated financial statements

Description of risk

The Group has decided to apply IFRS 16 on a full retrospective basis to each prior period for which financial information is presented, in accordance with IAS 8. In application of IFRS 16, property leases with fixed rents are now recognised in assets through a right-of-use asset and in liabilities through a lease liability corresponding to the present value of future payments.

The cumulative effect at 1 January 2018 of the restatements required by the standard is reflected in a €34.3 million reduction in equity, net of deferred tax, and the recognition of right-of-use assets for a net carrying amount of €910.3 million and lease liabilities of €1,006.8 million.

In addition, the impact of the application of IFRS 16 on the recurring operating income for the 2018 financial year was a positive €30.3 million and is negligible in terms of net profit.

We considered this to be a key audit matter due to the significant amount of right-of-use assets and lease liabilities in the financial statements, and the degree of judgment required to determine certain assumptions.

How our audit addressed this risk

Our work involved:

- ♦ considering the analysis carried out by management of leases and assessing the estimates and main assumptions used as part of the implementation of the new standard, IFRS 16 Leases;
- ♦ examining the process for identifying leases and collecting the necessary information from subsidiaries to verify the completeness and accuracy of the contractual database used for calculating right-of-use assets and lease liabilities;
- ♦ approving the calculation module implemented by the Company to calculate the accounting impact of IFRS 16;
- ♦ assessing whether the discount rates entered in the calculation module are consistent with the market data provided by our experts;
- ♦ verifying the accuracy and completeness of the accounting restatements at the transition date and at the closing date;
- ♦ assessing the appropriateness of the information provided in Notes 1.1.1., 1.7 and 14 of the Notes to the consolidated financial statements.

Valuation of inventories and work-in-progress – Notes 1.11 and 20 of the Notes to the consolidated financial statements

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Description of risk

The Group's Inventories and work-in-progress are shown in the balance sheet, amounting to €1,850 million in gross value and €1,133 million in net value at 31 December 2019, representing 11% of the total consolidated assets.

The Management of Hermès International is responsible for determining 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 1.10.1 and 25 of the Notes 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, yen, yuan, and other Asian currencies). 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 2019, 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 indicator the Group uses in its financial communication.

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;
- ◆ examining the appropriateness of the information concerning these transactions presented in the notes to the consolidated financial statements.

Income tax – Notes 1.1.2, 1.19 and 10 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.

On each closing date, assisted by the opinions of its advisers, the Management of Hermès International estimates the tax liabilities and uncertain tax liabilities to be recognised in accordance with the provisions of IAS 12 and the IFRIC 23 interpretation, applied early since the end of the 2018 financial year.

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.

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;

5. 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.

6. 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 Didier Kling & Associés.

As at 31 December 2019, PricewaterhouseCoopers and Didier Kling & Associés were in the ninth year and twenty-first year of total uninterrupted engagement respectively.

7. 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 risk 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.

8. STATUTORY AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED 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.

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) No. 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 and Paris, 4 March 2020
 The Statutory Auditors

PricewaterhouseCoopers Audit
 Olivier Auberty

Didier Kling & Associés
 A member of Grant Thornton
 Vincent Frambourt Guillaume Giné

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PARENT COMPANY FINANCIAL STATEMENTS

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6.1 STATEMENT OF PROFIT OR LOSS FOR 2019

<i>In millions of euros</i>	<i>Note</i>	2019	2018
Operating income	2	403.1	312.1
Revenue		315.0	247.6
Other products		0.7	0.8
Reversals of provisions and expenses reclassified		87.4	63.8
Operating expenses		(375.8)	(300.1)
Other purchases and external expenses		(142.4)	(127.6)
Tax and duties		(14.2)	(11.2)
Compensation and external expenses	3	(100.8)	(84.8)
Amortization, depreciation and provisions	4	(116.2)	(74.7)
Other expenses		(2.3)	(1.9)
OPERATING INCOME		27.3	12.0
Income from subsidiaries and associates		1,740.6	1,319.3
Net additions (Reversals) of provisions		(61.1)	(90.6)
Other elements	5	7.8	(12.7)
NET FINANCIAL INCOME		1,687.2	1,215.9
CURRENT INCOME		1,714.5	1,228.0
EXTRAORDINARY INCOME	6	(49.5)	8.1
NET INCOME BEFORE TAX AND EMPLOYEE PROFIT-SHARING		1,665.0	1,236.1
Employee profit-sharing		(4.8)	(4.6)
Income tax	7	(7.1)	7.0
NET INCOME		1,653.1	1,238.5

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 BALANCE SHEET AS AT 31 DECEMBER 2019

ASSETS

<i>In millions of euros</i>	<i>Note</i>	31/12/2019	31/12/2018
Fixed assets		957.0	892.2
Intangible assets	8	29.1	19.2
Property, plant and equipment	8	19.2	19.3
Financial assets	9	908.8	853.8
Current assets		4,768.0	3,564.4
Operating receivables	10	192.2	185.2
Miscellaneous receivables	10	586.7	508.6
Marketable securities	11	3,513.6	2,358.1
Derivatives		41.3	43.1
Cash at bank and in hand		434.0	469.5
Prepayments and accruals	10	4.3	6.9
TOTAL ASSETS		5,729.3	4,463.4

LIABILITIES

<i>In millions of euros</i>	<i>Note</i>	31/12/2019	31/12/2018
Equity		4,691.3	3,520.8
Share capital	12	53.8	53.8
Share, merger or contribution premiums		49.6	49.6
Other reserves		1,502.2	1,002.0
Legal reserve		5.7	5.7
Retained earnings		1,426.4	1,170.8
Net income for the financial year		1,653.1	1,238.5
Regulated provisions		0.5	0.4
Provisions for risks and expenses	14	350.2	303.5
Liabilities		685.9	637.1
Financial debts	15	24.3	23.2
Derivatives		5.7	7.8
Operating liabilities	15	242.7	79.0
Miscellaneous liabilities	15	413.2	527.2
Prepayments and accruals		1.8	2.0
TOTAL EQUITY AND LIABILITIES		5,729.3	4,463.4

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.

6.3 CHANGES IN EQUITY IN 2019

<i>In millions of euros</i>	Number of shares outstanding	Share capital	Share, merger or contribution premiums	Legal reserve, other reserves, and retained earnings	Net income for the financial year	Regulated provisions	Equity
Notes	12	12					
Balance as at 31 December 2017 before allocation of net income	105,569,412	53.8	49.6	2,354.1	778.3	0.4	3,236.2
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
Balance as at 31 December 2018 before allocation of net income	105,569,412	53.8	49.6	2,178.5	1,238.5	0.4	3,520.7
Allocation of net income 2018	-	-	-	1,238.5	(1,238.5)	-	-
Dividends paid in respect of the financial year	-	-	-	(482.6)	-	-	(482.6)
Net income for financial year 2019	-	-	-	-	1,653.1	-	1,653.1
Other changes	-	-	-	-	-	0.1	0.1
Balance as at 31 December 2019 before allocation of net income	105,569,412	53.8	49.6	2,934.3	1,653.1	0.5	4,691.3

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.

6.4 STATEMENT OF CASH FLOWS FOR 2019

<i>In millions of euros</i>	Note	2019	2018
Net income/(loss)		1653.1	1238.5
Depreciation and amortisation		11.3	7.7
Change in provisions and impairment		149.0	103.9
Capital gains/(losses) on disposals		29.3	48.5
Operating cash flows		1,842.7	1,398.5
Change in trade and other receivables		(118.4)	26.8
Change in trade and other payables		48.6	110.7
Change in working capital requirements		(69.8)	137.5
NET CASH FLOWS FROM OPERATING		1,772.8	1,536.1
Acquisitions of operating assets	8	(21.1)	(17.5)
Acquisitions of investment securities	9	(101.7)	(156.0)
Acquisitions of other financial assets	9	(85.7)	(80.1)
Proceeds from disposal of operating assets		-	0.2
Proceeds from disposal of investment securities		11.9	0.6
Proceeds from disposal of other financial assets		35.0	-
Change in receivables and payables related to fixed assets		0.0	(0.0)
NET CASH FLOWS FROM INVESTING		(161.6)	(252.8)
Dividends paid		(482.6)	(954.0)
Treasury share buybacks net of disposals		(51.5)	(59.3)
NET CASH FLOWS FROM FINANCING		(534.1)	(1,013.3)
CHANGE IN NET CASH POSITION		1,077.2	269.9
Net cash at the beginning of the period	16	2,388.6	2,118.7
Net cash at the end of the period	16	3,465.8	2,388.6
CHANGE IN NET CASH POSITION		1,077.2	269.9

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.

6.5 NOTES TO THE FINANCIAL STATEMENTS

The 12-month financial year covers the period from 1 January through 31 December 2019.

The following notes are an integral part of the annual financial statements.

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NOTE 1 ACCOUNTING PRINCIPLES AND POLICIES

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.

Note 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.

Note 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.

Note 1.3 Financial assets

Investment securities are shown in the balance sheet 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.

This value is estimated first and foremost at the proportionate share of net assets, which may be corrected, if need be, based on the profitability outlook for the concerned subsidiary.

Note 1.4 Trade receivables

Receivables are recorded at nominal value. A provision for impairment is recognized where there is a risk of non-recovery.

Note 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.

An impairment 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.

Note 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 balance sheet 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 rate are recorded in the balance sheet. A provision for contingencies is established for the entire value of unrealized 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.

Note 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, an income 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 54 companies.

Note 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

In millions of euros

	2019	2018
Revenue	315.0	247.6
Other products	0.7	0.8
Reversals of provisions and expenses reclassified	87.4	63.8
Operating income	403.1	312.1

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 €87.4 million comprised reversals of provisions for €4.0 million and transfers of expenses for €83.4 million, mainly linked to free shares plans granted to employees of subsidiaries.

In 2018, the €63.8 million in provision reversals and expense transfers included provision reversals for €7.8 million and expense transfers for €56.0 million linked to the cost of free share plans.

NOTE 3 COMPENSATION AND OTHER PERSONNEL COSTS

In millions of euros

	2019	2018
Compensation	(62.7)	(53.5)
Social security expenses	(25.2)	(21.6)
2012 free share plans	-	(1.5)
2016 free share plans	(8.6)	(8.1)
2019 free share plans	(4.3)	-
COMPENSATION AND OTHER PERSONNEL COSTS	(100.8)	(84.8)

Expenses recognized in operating income in respect of free share plans only concern employees of Hermès International. The costs relating to other employee beneficiaries of subsidiaries 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>	2019	2018
Depreciation of assets	(11.3)	(7.7)
Provisions for risks and expenses	(104.9)	(67.0)
AMORTISATION, DEPRECIATION AND PROVISIONS	(116.2)	(74.7)

Provisions for risks and expenses include retirement costs and the cost of free shares for all Group employees; they are recognised in operating income for the employees of Hermès International, and are transferred to extraordinary income for the other employee beneficiaries of subsidiaries (see notes 2, 3 and 6).

NOTE 5 OTHER ELEMENTS OF NET FINANCIAL INCOME

Foreign exchange differences and other items include the following:

<i>In millions of euros</i>	2019	2018
Interest and similar income	7.1	2.1
Foreign exchange gains and losses	8.0	(8.5)
Interest and similar expenses	(7.2)	(6.0)
Net income from disposals of marketable securities	(0.1)	(0.3)
OTHER ELEMENTS OF NET FINANCIAL INCOME	7.8	(12.7)

NOTE 6 EXTRAORDINARY INCOME

<i>In millions of euros</i>	2019	2018
Extraordinary income	73.3	104.9
Free share plans	57.1	54.9
Reversals of provisions for accelerated depreciation	0.1	0.1
Disposals of property, plant and equipment and non-current financial assets	13.6	49.9
Other extraordinary income	2.5	-
Extraordinary expenses	(122.8)	(96.8)
Free share plans	(79.1)	(46.9)
Provisions for accelerated depreciation	(0.2)	(0.2)
Other extraordinary expenses	(33.3)	(49.7)
Net value of fixed assets sold	(10.2)	-
EXTRAORDINARY INCOME	(49.5)	8.1

Extraordinary income primarily includes the re-invoicing to subsidiaries of free share plans.

Extraordinary expenses include costs relating to the free share plans for employee beneficiaries of subsidiaries in the amount of €79.1 million in respect of plans granted in 2016 and 2019.

Losses on securities of €21.4 million are offset by a provision reversal of €29.0 million in net financial income.

NOTE 7 INCOME TAX

Note 7.1 Breakdown of income tax

<i>In millions of euros</i>	2019	2018
Net income before tax and employee profit-sharing	1,665.0	1,236.1
Employee profit-sharing	(4.8)	(4.6)
Net income before tax	1,660.1	1,231.5
Income tax	(7.1)	7.0
Tax (parent company only)	(40.7)	(15.0)
♦ o/w tax on extraordinary income	7.1	(0.2)
♦ o/w tax on other items	(47.8)	(14.8)
Tax arising from tax consolidation	33.6	21.6
Reimbursement of tax on dividends	-	0.4
NET INCOME	1,653.1	1,238.5

Hermès International recognized an income tax expense of €7.1 million in 2019, compared with €7.0 million in 2018. In addition, Hermès International is liable for payment of the tax of the fiscally consolidated group, which amounted to €314.7 million in 2019 compared with €263.5 million in 2018.

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 resulting from the tax consolidation takes into account the effect of the consolidation linked, on the one hand to tax losses for certain subsidiaries, and on the other to capital gains on disposals of property, plant and equipment and non-current financial assets, where relevant.

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 €202.8 million as at 31 December 2019, versus €181.7 million as at 31 December 2018.

Note 7.2 Increases or decreases in future tax liability

As at 31 December 2019, the future tax receivable was equal to €24.6 million, versus €17.0 million as at 31 December 2018. This mainly consists of temporarily non-deductible expenses, in particular retirement provisions.

NOTE 8 OPERATING ASSETS

<i>In millions of euros</i>	31/12/2018	Increases	Decreases	Other	31/12/2019
Intangible assets	47.2	18.6	(12.0)	(0.3)	53.4
Concessions, patents and brands	-	-	-	-	-
Other intangible assets	47.2	18.6	(12.0)	(0.3)	53.4
Property, plant and equipment	48.9	2.6	(0.1)	0.3	51.7
Land	0.2	-	-	-	0.2
Buildings	0.4	-	-	-	0.4
Other property, plant and equipment assets	48.3	2.6	(0.1)	0.3	51.1
TOTAL GROSS VALUES	96.1	21.1	(12.1)	-	105.1
Amortisation of intangible assets	(27.5)	(8.8)	12.0	-	(24.3)
Concessions, patents and brands	-	-	-	-	-
Other intangible assets	(27.5)	(8.8)	12.0	-	(24.3)
Depreciation of property, plant and equipment	(29.6)	(3.0)	0.1	-	(32.5)
Land	-	-	-	-	-
Buildings	(0.4)	-	-	-	(0.4)
Other property, plant and equipment assets	(29.2)	(3.0)	0.1	-	(32.1)
TOTAL DEPRECIATION AND AMORTISATION	(57.1)	(11.8)	12.1	-	(56.8)
Impairments	(0.5)	-	0.5	-	-
TOTAL IMPAIRMENT	(0.5)	-	0.5	-	-
TOTAL NET VALUES	38.5	9.3	0.5	-	48.3

NOTE 9 FINANCIAL ASSETS

In millions of euros	Note	31/12/2018	Increases	Decreases	Other	31/12/2019
Investments ¹		1,280.9	101.7	(33.3)	-	1,349.3
Other financial assets		199.2	86.4	(35.0)	-	250.6
Financial investments		168.4	82.2	(35.0)		215.7
Treasury shares (including liquidity contract) ²		26.6	0.7			27.3
Deposits and guarantees		4.2	3.4			7.6
Other long-term investments		2.7	0.0	(0.0)	-	2.8
TOTAL GROSS VALUES		1,482.9	188.1	(68.3)	-	1,602.7
Impairments	14	(629.1)	(93.7)	28.9	-	(693.9)
TOTAL NET VALUES		853.8	188.1	(68.3)	-	908.8

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 mainly the recapitalization of the subsidiary Castille Investissements. The decrease concerns the internal disposal of shares of Manufacture de Haute Maroquinerie and Maroquinerie de Belley.
- (2) As at 31 December 2019, Hermès International held 86,032 treasury shares (liquidity contract and unallocated shares intended for external growth operations). These shares were valued on the basis of their acquisition price. The average price of treasury shares at 31 December 2019 was €317.23.

NOTE 10 BREAKDOWN OF ASSETS BY MATURITY

In millions of euros	Note	31/12/2019				31/12/2018	
		< 1 year	between 1 and 5 years	Gross amount	Impairment	Net amount	Net amount
Other financial assets	9	-	250.6	250.6	(13.6)	237.0	191.2
Current assets ¹		153.7	38.6	863.2	(84.3)	779.0	693.7
Trade and other receivables		74.9	3.4	78.2	-	78.2	82.4
Other operating receivables		78.8	35.2	114.0	-	114.0	102.8
Miscellaneous receivables ²			-	671.0	(84.3)	586.7	508.6
Prepayments and accruals		-	-	4.3	-	4.3	6.9
Communication fees			-	-	-	-	1.9
Leases			-	3.1	-	3.1	3.0
Other			-	1.1	-	1.1	1.9
TOTAL		153.7	289.2	1,118.1	(97.9)	1,020.2	891.8

(1) Current assets include a gross amount of €832 million in receivables due from related companies.

(2) Miscellaneous receivables consist of financial current accounts of subsidiaries.

NOTE 11 MARKETABLE SECURITIES

In millions of euros	31/12/2019	31/12/2018
Open-ended investment companies (SICAVs) and mutual funds	698.3	240.5
Negotiable debt securities	2,333.8	1,678.9
Treasury shares ¹	481.5	438.7
TOTAL GROSS VALUES	3,513.6	2,358.1
Impairments	-	-
TOTAL NET VALUES	3,513.6	2,358.1

- (1) Treasury shares correspond to 1,275,597 Hermès International shares held under free share allocation plans for employees (compared with 1,229,840 shares at 31 December 2018). These shares were valued on the basis of their acquisition price. The average price of treasury shares at 31 December 2019 was €377.46. During 2019, Hermès International acquired 84,757 shares for an amount of €52.4 million and granted 39,000 free shares to employees for an amount of €9.6 million.

NOTE 12 SHARE CAPITAL

As at 31 December 2019, 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 2018.

NOTE 13 FREE SHARE PLANS

The information relating to the free share plans is provided in section 3.5.5 of this document (Table 9.1).

In 2019, operating income included a net expense of €19.0 million (compared with €12.5 million in 2018).

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 €41.0 million in 2019, compared with an expense of €3.9 million in 2018.

NOTE 14 PROVISIONS AND IMPAIRMENT

In millions of euros	Note	31/12/2018	Depreciations	Reversals		31/12/2019
				Provisions used	Provisions not used	
Provisions for impairment		675.9	152.6	(50.2)	-	778.2
Financial assets	9	629.1	93.7	(28.9)		693.9
Trade and other receivables		46.8	58.9	(21.4)		84.3
Provisions for risks and expenses		303.5	109.2	(50.1)	(12.4)	350.2
Free share plans		150.3	82.4		(9.5)	223.2
Net negative position of subsidiaries		114.5	4.3	(46.2)		72.6
Other provisions for risks and expenses ¹		38.8	22.5	(3.9)	(2.9)	54.4

(1) Other provisions for risks and expenses mainly includes retirement.

NOTE 15 BREAKDOWN OF LIABILITIES BY MATURITY

In millions of euros	31/12/2019			31/12/2018
	< 1 year	between 1 and 5 years	Net amount	Net amount
Financial debts	4.8	19.5	24.3	23.2
Bank borrowings	0.6	-	0.6	0.3
Miscellaneous borrowings and financial liabilities ¹	4.2	19.5	23.7	22.9
Operating liabilities	228.0	14.8	242.7	79.0
Trade and other payables	19.6	-	19.6	25.1
Tax and social-security liabilities	208.4	14.8	223.2	53.9
Miscellaneous liabilities	400.1	13.1	413.2	527.2
Amounts payable to fixed asset suppliers	2.3	-	2.3	2.3
Other ²	397.8	13.1	410.9	524.9
TOTAL	632.9	47.3	680.2	629.4

(1) Funds held in trust for employees under the statutory employee profit-sharing plan.

(2) Mainly financial current accounts of the subsidiaries amounting to €391 million.

NOTE 16 NET CASH POSITION

<i>In millions of euros</i>	2019	2018
Marketable securities	3,032.1	1,919.4
Cash at bank and in hand	434.0	469.5
Bank overdrafts	(0.3)	(0.3)
NET CASH POSITION	3,465.8	2,388.6

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 activities of Hermès International during financial year 2019.

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 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 €0.5 million in this respect in 2019 (including €0.2 million in respect of services provided);

- ♦ Trademark license agreements: Hermès International receives brand royalties from Hermès Sellier (€170.7 million), Comptoir Nouveau de la Parfumerie (€18.4 million), La Montre Hermès (€5.6 million) and Faubourg Italia (€0.2 million);
- ♦ SIFAH: SIFAH invoiced leases for the premises located at 26/28/30/32, rue du Faubourg-Saint-Honoré for €5.4 million;
- ♦ Studio des Fleurs: Studio des Fleurs offers photography and retouching services for packshots of e-commerce products. The amounts paid in 2019 came to €3.2 million.
- ♦ MOCE: MOCE ("EatMe" brand) provides fast food services on the Hermès International site located at 12 rue d'Anjou. The amounts paid in 2019 came to €0.1 million.
- ♦ RDAI: The architectural firm RDAI is involved in the design and interior layout work of the headquarters, as well as the assignment consisting of design work to apply the architectural concept to all Hermès stores. The amounts paid in 2019 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

<i>In millions of euros</i>	Monetary assets/ (liabilities)	Future cash flows	Net position before hedging	Derivatives ¹	Net position after hedging	Hedging ratio	Sensitivity of 10%
As at 31 December 2019							
Singapore dollar	1.8	107.0	108.8	(108.6)	0.2	100%	0.0
Yuan	7.3	94.2	101.5	(103.8)	(2.4)	102%	(0.3)
Yen	0.2	79.8	80.0	(82.2)	(2.2)	103%	(0.2)
Hong Kong dollar	0.3	73.2	73.5	(74.0)	(0.6)	101%	(0.1)
US dollar	(61.9)	126.3	64.5	(68.3)	(3.8)	106%	(0.4)
Australian dollar	60.1	3.1	63.2	(63.4)	(0.2)	100%	(0.0)
Other currencies	(7.1)	25.8	18.7	(18.5)	0.2	99%	0.0
SUMMARY	0.7	509.4	510.1	(518.8)	(8.7)	102%	(1.0)
As at 31 December 2018							
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)
Singapore dollar	2.5	6.6	9.2	(12.2)	(3.0)	133%	(0.3)
Hong Kong dollar	0.7	3.7	4.4	(5.3)	(0.9)	120%	(0.1)
Other currencies	(0.5)	13.1	12.5	(15.9)	(3.4)	127%	(0.4)
SUMMARY	(270.7)	170.5	(100.2)	86.0	(14.2)	86%	(1.6)

(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>	Nominal amounts of derivatives	Nominal amounts of derivatives used to hedge foreign exchange risk	Market value of contracts as at 31 December 2019 ¹
Options purchased			
US dollar puts	50.7	50.7	1.3
US dollar collars	279.0	279.0	4.5
Singapore dollar puts	46.8	46.8	0.7
Singapore dollar collars	232.1	232.1	1.6
Japanese yen puts	32.1	32.1	0.6
Japanese yen collars	236.8	236.8	2.7
Chinese yuan puts	20.0	20.0	0.9
Chinese yuan collars	220.4	220.4	4.2
Hong Kong dollar puts	32.6	32.6	0.7
Hong Kong dollar collars	177.8	177.8	2.3
	1,328.3	1,328.3	19.5
Forward currency agreements ²			
US dollar	(212.2)	(212.2)	3.5
Yen	(189.1)	(189.1)	2.3
Yuan	(146.2)	(146.2)	1.4
Singapore dollar	(171.8)	(171.8)	5.1
Hong Kong dollar	(137.3)	(137.3)	2.8
Other currencies	32.7	32.7	(1.0)
	(823.9)	(823.9)	14.1
Currency swaps ²			
Australian dollar	60.0	60.7	(1.0)
US dollar	(49.1)	(62.4)	(0.2)
Yuan	9.7	10.3	0.0

<i>In millions of euros</i>	Nominal amounts of derivatives	Nominal amounts of derivatives used to hedge foreign exchange risk	Market value of contracts as at 31 December 2019 ¹
Yen	2.4	0.9	0.0
Singapore dollar	1.6	1.6	(0.0)
Hong Kong dollar	0.8	0.8	0.0
Other currencies	(11.0)	(14.4)	(0.1)
	14.4	(2.5)	(1.3)
TOTAL	518.8	501.9	32.3

(1) Gain/(Loss).

(2) (Purchase)/Sale.

<i>In millions of euros</i>	Nominal amounts of derivatives	Nominal amounts of derivatives used to hedge foreign exchange risk	Market value of contracts as at 31 December 2018 ¹
Options purchased			
Japanese yen puts	28.9	28.9	0.4
Japanese yen collars	201.1	201.1	(0.5)
US dollar puts	128.8	35.5	1.1
US dollar calls	(62.6)		1.0
US dollar collars	123.2	123.2	1.7
Chinese yuan puts	15.2	15.2	0.8
Chinese yuan collars	167.6	167.6	4.0
Singapore dollar puts	20.0	20.0	0.3
Singapore dollar collars	140.3	140.3	1.0
Hong Kong dollar puts	83.7	23.5	0.6
Hong Kong dollar calls	(40.3)		0.6
Hong Kong dollar collars	82.0	82.0	0.9
	887.9	837.3	12.0
Forward currency agreements ²			
Yen	(164.5)	(164.5)	6.0
Singapore dollar	(153.6)	(153.6)	5.8
US dollar	(152.8)	(152.8)	4.6
Yuan	(116.5)	(116.5)	2.0
Hong Kong dollar	(101.8)	(101.8)	3.3
Other currencies	16.4	16.6	(0.6)
	(672.8)	(672.6)	21.1
Currency swaps ²			
US dollar	(268.8)	(273.2)	(1.5)
Yuan	7.6	7.6	0.0
Singapore dollar	5.5	(0.7)	0.0
Yen	4.0	3.6	(0.1)
Hong Kong dollar	1.6	0.9	0.0
Other currencies	(0.4)	(9.3)	0.3
	(250.5)	(271.1)	(1.3)
Options sold			
US dollar puts	(93.3)		(0.3)
US dollar calls	62.6		(1.0)
Hong Kong dollar puts	(60.2)		(0.1)
Hong Kong dollar calls	40.3		(0.6)
	(50.7)	-	(2.0)
TOTAL	(86.0)	(106.5)	29.8

(1) Gain/(Loss).

(2) (Purchase)/Sale.

NOTE 19 FINANCIAL COMMITMENTS

In millions of euros	31/12/2019	31/12/2018
Bank guarantees given ¹	1.9	0.7
Irrevocable commitments to purchase financial assets	22.5	25.0
Other commitments ²	161.2	108.4
TOTAL	185.6	134.1

(1) The guarantees subscribed on behalf of the subsidiaries are the object of commissions that are re-invoiced to them.

(2) The other commitments concern property leases signed or guaranteed by Hermès International.

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 2019, the amounts drawn on these credit facilities amounted to €3 million and €21 million, respectively.

NOTE 20 AVERAGE NUMBER OF EMPLOYEES

The Company's average number of employees is broken down as follows:

	31/12/2019	31/12/2018
Executives and managers	414	380
Non-management staff	34	34
TOTAL	448	414

NOTE 21 POST-EMPLOYMENT BENEFIT OBLIGATIONS

As at 31 December 2019, the value of post-employment benefit obligations amounted to €125.8 million versus €80.3 million as at 31 December 2018. 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 €5.8 million.

After applying the “corridor” method, actuarial gains and losses amounted to €67.4 million as at 31 December 2019 compared with €51.9 million as at 31 December 2018.

The provision recorded at end-December 2019 amounted to €38.7 million and corresponds to the total value of the commitment

(€125.8 million), less the fair value of pension assets (€5.8 million), and actuarial gains and losses (€67.4 million) plus past service costs (€14.0 million).

For FY 2019, the following actuarial assumptions were used:

♦ retirement age:	62 to 65 years
♦ increase in salaries:	3 to 4%
♦ discount rate:	0.3% to 0.5%
♦ expected rate of return on plan assets:	2.5% to 3.0%

NOTE 22 COMPENSATION OF CORPORATE OFFICERS

Gross aggregate compensation paid to Corporate Officers in respect of financial year 2019 amounted to €5.4 million, including €0.6 million related to the compensation of members of the Supervisory Board.

NOTE 23 SUBSEQUENT EVENTS

None.

6.6 TABLE OF SUBSIDIARIES AND ASSOCIATES

DETAILED INFORMATION ON SUBSIDIARIES IN WHICH THE GROSS VALUE OF SECURITIES HELD EXCEEDS 5% OF THE SHARE CAPITAL OF HERMÈS INTERNATIONAL

<i>In millions of euros</i>	Number of shares	Proportionate share of capital held (in %)	Gross value of securities held	Net value of securities held	Outstanding loans and advances	Guarantees given	Dividends received over the financial year
Subsidiaries (at least 50% owned by the Company)							
Castille Investissements	9,650,000	100.00%	308.8	6.9			
CHP3	50,050,000	100.00%	50.4	50.0			
Compagnie Hermès de Participations	4,200,000	100.00%	42.0	37.5			
Comptoir Nouveau de la Parfumerie	756,000	99.67%	27.1	27.1			21.5
Grafton Immobilier	5,174,500	100.00%	82.8	82.8			2.2
Herlee	65,000,000	76.92%	19.5	19.5			235.6
Hermès Argentine	1,367,096	99.85%	7.4	0.8		1.0	
Hermès Asia-Pacific	315,000,000	100.00%	43.5	43.5			345.3
Hermès Australia	6,500,000	100.00%	4.4	4.4			
Hermès Benelux Nordics	57,975	99.99%	3.2	3.2			4.1
Hermès Brésil	43,404,646	99.99%	13.3	-			
Hermès Cuir Précieux	6,400,000	100.00%	240.1	-			
Hermès GmbH	1	100.00%	7.2	7.2		3.0	21.0
Hermès Holding GB	7,359,655	100.00%	10.5	10.5		1.8	45.4
Hermès Iberica	69,312	100.00%	5.0	5.0			5.3
Hermès Immobilier Genève	70,000	100.00%	44.5	44.5			
Hermès Istanbul	260,000	100.00%	3.0	1.6			2.8
Hermès Italie	458,000	100.00%	25.2	25.2			30.7
Hermès Japon	4,400	100.00%	13.7	13.7			149.2
Hermès of Paris	114,180	100.00%	10.9	10.9			178.3
Hermès Sellier	311,000	99.77%	4.8	4.8		0.2	462.3
Holding Textile Hermès	46,686,464	96.71%	90.7	90.7			
John Lobb	3,773,590	100.00%	28.7	-			
Manufactures de Franche Comté	100,000	100.00%	32.1	5.5			
Maroquinerie de Normandie	650,000	100.00%	4.0	-			
Maroquinerie de Sayat	500,000	100.00%	11.8	0.6			
Maroquinerie des Ardennes	284,063	100.00%	10.5	10.5			0.5
Maroquinerie du Sud Ouest	990,000	100.00%	12.2	-			
Maroquinerie Iséroise	4,617,000	100.00%	12.5	-			
Maroquinerie Saint Antoine	1,679,503	100.00%	13.3	0.3			
SCI Honossy	210,100	99.99%	3.2	3.2			
SCI Auger-Hoche	126,946,400	99.99%	131.2	131.2			
Sub-total			1,317.6	641.0			1,504.1
TOTAL FOR ALL SUBSIDIARIES AND ASSOCIATES			1,349.3	669.2			1,740.6

TOTAL EQUITY AND NET INCOME OF SUBSIDIARIES

<i>In millions of euros</i>	
Total equity of foreign subsidiaries (net income excluded)	509.4
Total equity of French subsidiaries (net income excluded)	563.5
Total net income of French subsidiaries	738.1
Total net income of foreign subsidiaries	855.5

6.7 TABLE OF RESULTS OVER THE LAST FIVE FINANCIAL YEARS

	2019	2018	2017	2016	2015
Share capital at the end of the financial year					
Share capital (in millions of euros)	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)					
Revenue excluding taxes	315.0	247.6	216.6	177.6	207.2
Net income before tax, employee profit-sharing, amortisation, depreciation, provisions and impairment	1,754.9	1,337.6	842.5	1,165.2	961.9
Income tax	(7.1)	7.0	24.4	(5.8)	(28.3)
Employee profit-sharing	(4.8)	(4.6)	(4.5)	(3.9)	(3.9)
Net income after tax, employee profit-sharing, amortisation, depreciation, provisions and impairment	1,653.1	1,238.5	778.3	1,091.2	842.8
Profits distributed as dividends (including on treasury shares)	538.9	488.6	965.9	403.2	359.3
Earnings per share in euros					
Net income after tax and employee profit-sharing but before amortisation, depreciation, provisions and impairment	16.51	12.69	8.17	10.95	8.81
Net income after tax, employee profit-sharing, amortisation, depreciation, provisions and impairment	15.66	11.73	7.37	10.34	7.98
Net dividend paid per share	5.00 ¹	4.55	9.10 ²	3.75	3.35
Employees					
Number of employees (average workforce)	448	414	399	384	369
Total payroll (in millions of euros)	(62.7)	(53.5)	(49.4)	(47.0)	(45.6)
Employee benefits paid in the year (in millions of euros)	(38.1) ³	(31.3) ³	(29.1) ³	(105.0)	(55.3)

(1) Subject to approval by the Ordinary General Meeting of 24 April 2020. A dividend of €5.00 will be proposed, of which an interim payment of €1.50 paid on 5 March 2020.

(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 INFORMATION ON DUE DATES

	Invoices received, due but not paid at year-end close (table provided for under I of Article D. 441-4)				
	Article D. 441-I-1: Invoices received, due but not paid at closing date				
	0 days (approximate)	1 to 30 days	31 to 90 days	91 days and over	Total (1 day and over)
(A) Late payment tranches					
Number of invoices involved					21
Total amount of invoices involved excluding tax		0.6	0.0	0.0	0.6
Percentage of the total amount of purchases excluding tax for the financial year		0.4%	0.0%	0.0%	0.4%
Percentage of revenue excluding tax for the financial year					
(B) Invoices excluded from (A) in connection with doubtful payables and receivables that are disputed or not recognised					
Number of invoices excluded					
Total amount of excluded invoices					
(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))					
Reference payment deadlines used for calculating late payments		legal deadline			

	Invoices issued, due but not paid at year-end close (table provided for under I of Article D. 441-4)				
	Article D. 441-441, I-2: Invoices issued, due but not paid at closing date				
	0 days (approximate)	1 to 30 days	31 to 90 days	91 days and over	Total (1 day and over)
(A) Late payment tranches					
Number of invoices involved					425
Total amount of invoices involved excluding tax		1.2	2.3	6.2	9.7
Percentage of the total amount of purchases excluding tax for the financial year					
Percentage of revenue excluding tax for the financial year		0.4%	0.7%	1.9%	3.0%
(B) Invoices excluded from (A) in connection with doubtful payables and receivables that are disputed or not recognised					
Number of invoices excluded					
Total amount of excluded invoices					
(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))					
Reference payment deadlines used for calculating late payments		legal deadline			

6.9 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 financial year ended 31 December 2019

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 annual financial statements of Hermès International for the financial year ended 31 December 2019.

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 31 December 2019 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 2019 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 financial year, as well as how we addressed those risks.

These matters were addressed as part of our audit of the annual financial statements as a whole, and in forming our opinion expressed thereon. We do not provide a separate opinion on specific items of the annual financial statements.

Valuation of investment securities – Notes 1.3 and 9 to the annual financial statements

Description of risk

As of 31 December 2019, the net amount of investment securities recognised in the balance sheet amounted to €669.2 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 carrying amount is estimated in the first place based on the value of the share of net assets, which may be adjusted, where appropriate, for the profitability outlook 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 investment securities 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 investment securities;
- ♦ checking that the criteria used by the Management to determine the valuation were appropriate and any impairment arising was calculated correctly; and
- ♦ checking that recorded equity matches with the consolidation documents of the entities concerned, especially for valuations based on historical information.

In addition to assessing valuation of investment securities, 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 Executive Management and in the other documents on the financial position and the annual financial statements provided to shareholders.

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*).

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 (*Code de commerce*).

Concerning the information provided in accordance with the requirements of Article L. 225-37-3 of the French Commercial Code (*Code de commerce*) relating to compensation and benefits received by the Corporate Officers and any other commitments made in their favour, we have verified its consistency with the financial statements, or with the data used to prepare these financial statements and, where applicable, with the information obtained by your company from controlled companies in the scope of consolidation. 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 Didier Kling & Associés.

As at 31 December 2019, PricewaterhouseCoopers Audit was in its 9th year and Didier Kling & Associés in its 21st 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 ensure that the preparation of annual financial statements 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 and Risk Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risk 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 a description of the scope of the audit and the audit program 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) No. 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, 4 March 2020

The Statutory Auditors

PricewaterhouseCoopers Audit
Olivier Auberty

Didier Kling & Associés
A member of Grant Thornton
Vincent Frambourt Guillaume Giné



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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. It derives its funds from:
 - dividends received from subsidiaries,
 - royalties from trademarks, licensed exclusively to Group subsidiaries, namely, Hermès Sellier, Le Comptoir Nouveau de la Parfumerie, La Montre Hermès and Faubourg Italia.

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 129 subsidiaries and sub-subsidiaries. A simplified presentation of the Group appears on page 35.

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* 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 389.

7.1.1.4 ACTIVE PARTNERS

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
 - 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 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 pre-sent 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).

COMPENSATION FOR THE ACTIVE PARTNER OVER THE LAST TWO YEARS

	2019	2018
Émile Hermès SARL	€11,075,569.02	€8,297,743.18

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 198 and 213.

7.1.1.6 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 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 Board 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 HEADQUARTERS

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 572 076 396, APE code 7010Z.

The LEI number of the Company is 969500Y4IJGHJE2MTJ13.

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 Eurolist 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 may be 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 decision of the Active Partner, after receipt of the reasoned opinion of the Supervisory Board, on 4 June 2013 (effective 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 policy for Executive Chairmen are presented in the Supervisory Board's report on corporate governance (see chapter 3 "Corporate governance" on pages 257 et seq.). It is proposed to the Combined General Meeting of 24 April 2020 to modify Article 22 to bring it into compliance with law no. 2019-486 of 22 May 2019 on the growth and transformation of companies ("Pacte" law), which replaced the terminology "directors' fees" with "compensation of members of the Supervisory Board."

18 – Supervisory Board

The composition of the Supervisory Board is described in the Supervisory Board's report on corporate governance, on page 213. The provisions of Article L. 226-4-1 of the French Commercial Code (Code de commerce), which require that the proportion of members of the Supervisory Board of each gender must not be below 40% and that when the Board comprises a maximum of eight members, the difference between the number of members of each gender may not be higher than two, 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 the 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 23 September 2019, the Active Partner increased the number of Supervisory Board members to 14 (including employee representatives) with effect from 12 November 2019.

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.

It will be proposed at the Combined General Meeting of 24 April 2020 to amend paragraph 18.6 to bring it into conformity with law No. 2019-486 of 22 May 2019 on business growth and transformation (the "Pacte law") which has increased the representation of employees on the Supervisory Board by lowering the thresholds for the composition of Boards.

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 on page 243.

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 2019 is presented on pages 437 and 438.

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

The Supervisory Board may convene a 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.

Details on the compensation policy for members of the Supervisory Board are presented in the Supervisory Board's report on corporate governance (see chapter 3 "Corporate governance" on pages 266 et seq.). It will be proposed at the Combined General Meeting of 24 April 2020 to amend Article 22 of the Articles of Association to bring it into line with law No. 2019-486 of 22 May 2019 on business growth and transformation (the "Pacte law") where the words "Directors' fees" have been replaced with "Compensation of members of the Supervisory Board".

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 – Shareholders' General Meetings

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 authorised 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 authorised 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 Shareholders' General Meetings. 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 391 describes the control exercised by Émile Hermès SARL over Hermès International.

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 approval procedure (wording resulting from the modification of the Articles of Association taking effect on 3 October 2018).

7.1.2.4 EXECUTIVE CHAIRMEN

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 set out in chapter 3 "Corporate governance" on page 197.

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.

AFR 7.2 INFORMATION ON SHARE CAPITAL AND SHAREHOLDERS

7.2.1 INFORMATION ON SHARE CAPITAL

7.2.1.1 SHARE CAPITAL

	Amount	Number	Par value
As at 01/01/2019	€53,840,400.12	105,569,412	€0.51
As at 31/12/2019	€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 29 February 2020, the total number of voting rights (including shares deprived of voting rights) was 178,148,779. 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 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.

Double voting rights cease automatically under the conditions specified by the law and notably for any share that was the subject off 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 380).

7.2.1.3 CHANGES IN SHARE CAPITAL OVER THE LAST 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 identifiable*) to identify its shareholders. During the study of 31 December 2019, there were approximately 101,800 shareholders; compared to approximately 105,000 as at 31 December 2018 and some 101,000 as at 31 December 2017.

7.2.2.2 PERCENTAGE OF INDIVIDUAL SHAREHOLDERS

The percentage of individual shareholders was 6.1% in December 2019, stable compared to the same period in 2018, regrouping the registered shares held as at 31 December 2019 by the individual shareholders and the bearer shares identified by the TPI on 31 December 2019, excluding holdings by family groups.

7.2.2.3 MAIN SHAREHOLDERS AS AT 31 DECEMBER 2019 – 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 390, 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 pages 286 and 287.

To the Company's knowledge, material changes in the ownership of the share capital over the past three years are described below under “Crossing of thresholds”. Given the time that has elapsed since it was established, the description of the procedures for setting up H51 is no longer in the Universal registration document. The definition and description of the organisation of the Hermès family group are presented on pages 458, 389 to 391 and 196 respectively.

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 (“LVMH”) (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. These undertakings ended 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 Semyrhamis, 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 392).

On 21 July 2017, the Hermès family group declared that it held 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 392).

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 2019 and the date on which this Universal registration document was filed with the AMF.

Measures taken to prevent abusive control

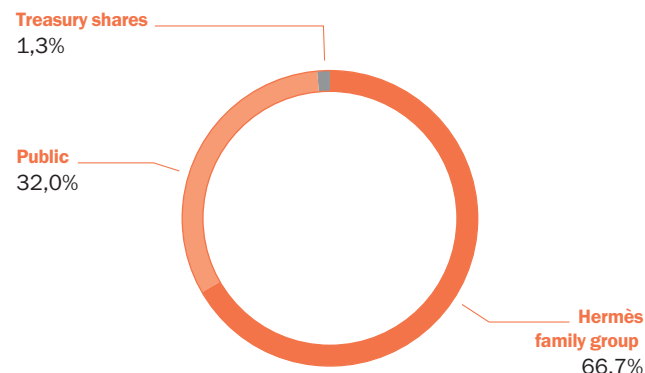
Refer to chapter 3 "Corporate governance" on page 191, and to the paragraph "Management of conflicts of interest" on page 241.

7.2.2.4 TREASURY SHARES

On 31 December 2019, Hermès International held 1,361,629 treasury shares, representing 1.3% of its share capital, acquired as part of the share buyback programme presented on page 392 et seq.

7.2.2.5 OWNERSHIP OF SHARE CAPITAL AND VOTING RIGHTS AS AT 31 DECEMBER 2019

BREAKDOWN OF THE SHAREHOLDERS AT 31 DECEMBER 2019



As at 31 December 2019 and to the Company's knowledge, the distribution of the share capital and voting rights of the Company was as follows:

	Share capital		Allocation of net income		Voting rights ¹		Other
	Number	%	Number	%	Number	%	
H51	57,233,054	54.2	112,738,020	63.8	112,738,020	63.8	
H2	7,012,602	6.6	13,888,704	7.9	13,888,704	7.9	
Other members of the Hermès family group	6,167,629	5.8	7,962,403	4.5	12,042,403	6.8	
Sub-total Hermès family group ²	70,413,285	66.7	134,589,127	76.1	138,669,127	78.5	
Public ^{3 4 5}	33,794,498	32.0	42,157,765	23.9	38,077,765	21.5	
Treasury shares	1,361,629	1.3	–	0.0	–	0.0	
TOTAL	105,569,412	100.0	176,746,892	100.0	176,746,892	100.0	

(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 388.

(2) The definition of the Hermès family group is on page 458.

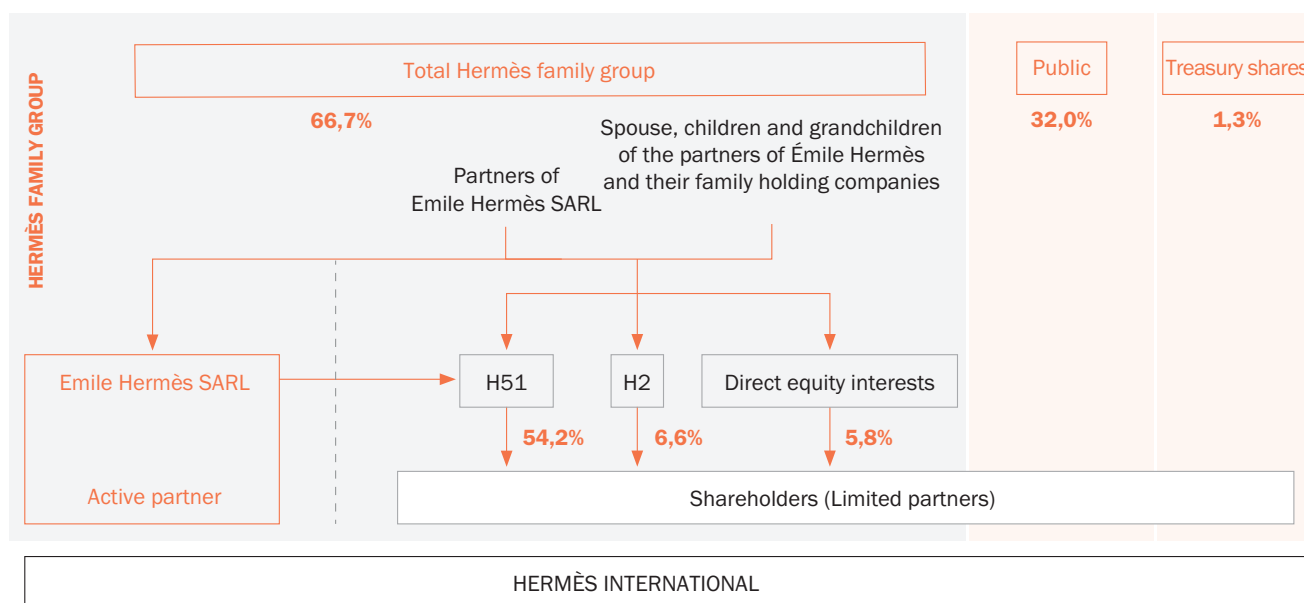
(3) These amounts correspond to all of the shares and voting rights in circulation, reduced by the number of shares and voting rights declared by the identified shareholders as mentioned in this table.

(4) Including the Arnault family group. Refer to the threshold-crossing declaration of 11 July 2017 on page 392.

(5) Mr Nicolas Puech did not indicate the number of shares he held in Hermès International as of 31 December 2019.

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 393.



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:

	31/12/2019			31/12/2018			31/12/2017		
	Voting rights ¹			Voting rights ¹			Voting rights ¹		
Shareholders holding more than 5% of the capital or voting rights	Share capital	Allocation of net income	Other	Share capital	Allocation of net income	Other	Share capital	Allocation of net income	Other
H51	54.2%	63.8%	63.8%	54.2%	63.5%	63.5%	53.5%	63.3%	63.3%
H2	6.6%	7.9%	7.9%	6.5%	7.8%	7.8%	6.5%	7.9%	7.9%
Other members of the Hermès family group	5.8%	4.5%	6.8%	6.0%	4.5%	6.8%	6.0%	4.6%	6.9%
Sub-total Hermès family group ²	66.7%	76.1%	78.5%	66.7%	75.8%	78.1%	66.0%	75.8%	78.2%
Public ^{3 4 5}	32.0%	23.9%	21.5%	32.1%	24.2%	21.9%	32.7%	24.2%	21.8%
Treasury shares	1.3%	0.0%	0.0%	1.2%	0.0%	0.0%	1.3%	0.0%	0.0%
TOTAL	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

(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 388.

(2) The definition of the Hermès family group is on page 458.

(3) 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.

(4) Including the Arnault family group. Refer to the threshold-crossing declaration of 11 July 2017 on page 392.

(5) Mr Nicolas Puech did not indicate the number of shares he held at 31 December 2019.

7.2.2.7 EMPLOYEE OWNERSHIP OF THE 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, 2012, 2016 and 2019.

In accordance with the authorisation granted by the General Meeting of 4 June 2019 in its fifteenth Resolution, the Executive Management approved the establishment on 1 July 2019 of two new free share allocation plans for all eligible employees of the Group, subject to the mechanisms applicable to existing free share plans, in particular

concerning the reference and holding periods. These allocations are subject to presence conditions and, where applicable, performance conditions, with vesting periods of four to five years.

On 31 December 2019, employee shareholding, based on plans already allocated and/or vested, involved a significant part of the Group's workforce, accounting for the holding of 889,389 Hermès International shares, representing 0.84% of the Group's share capital. Taking into account rights under the last 2019 plans, employee shareholding involved more than 13,000 Group employees.

7.2.2.8 CROSSING OF THRESHOLDS

Crossings of thresholds occurring after the closure of the 2019 financial year

No crossing of a legal threshold was declared between the closure of the 2019 financial year, and 29 February 2020.

Crossing of thresholds in 2019 financial year

No crossing of a legal threshold was declared in 2019.

Crossing of thresholds during the past two financial years

Crossing of thresholds in 2018 financial year

No crossing of a legal threshold was declared in 2018.

Crossing of thresholds in 2017 financial year

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):
 - 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	-
Arnault family	183,557	0.17	183,557	0.11
TOTAL ARNAULT FAMILY GROUP	1,974,538	1.87	1,974,538	1.13

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): 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	-	-	-	-
TOTAL HERMÈS FAMILY GROUP	70,385,066	66.67	130,403,428	74.92	134,256,835	77.13

This crossing is the result of an acquisition of Hermès International shares on the market by the company H51.

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 2019 of authorisations to buy back shares granted by the General Meeting

The Combined General Meetings of 5 June 2018 and 4 June 2019 approved share buyback programmes authorising the Executive Management, on the basis of Articles L. 225-209 et seq. of the French Commercial Code (*Code de commerce*), 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 or to one or more market practices currently or later accepted by the Financial Markets Authority

(AMF) (see page 277), and more generally to allot them to carrying out any operation in accordance with the regulations in force.

The Combined General Meetings of 5 June 2018 and 4 June 2019 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 281 et seq.

During the financial year ended 31 December 2019, 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 01/01/2019 to 04/06/2019	From 05/06/2019 to 31/12/2019	Total
EXCLUDING THE LIQUIDITY CONTRACT			
Number of shares booked in the name of the Company as at 31 December 2018	1,308,213		1,308,213
Number of shares purchased	46,413	38,344	84,757
Reason for acquisitions	Employee shareholding	Employee shareholding	
Average price of purchases	€598.47	€642.10	€618.21
Number of shares sold	38,620	380	39,000
Average price of sales	€246.33	€209.85	€245.98
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 2019	1,316,006	37,964	1,353,970
Appropriation			
♦ Employee shareholding	1,237,633	37,964	1,275,597
♦ External growth	78,373		78,373
Net value evaluated during the purchase	€479,118,153	€24,540,963	€503,659,115
Net value evaluated during closure	€876,723,197	€25,291,617	€902,014,814
Par value	€671,163	€19,362	€690,525
Fraction of the share capital that they represent	1.25%	0.04%	1.28%
IN THE CONTEXT OF THE LIQUIDITY CONTRACT			
Number of shares booked in the name of the Company as at 31 December 2018	9,166		9,166
Resources implemented (liquidity account)	€5,000,000	€5,000,000	€5,000,000
Number of shares purchased	66,980	86,256	153,236
Average price of purchases	€559.70	€633.67	€601.34
Number of shares sold	68,890	85,853	154,743
Average price of sales	€561.14	€634.04	€601.58
Number of shares booked in the name of the Company as at 31 December 2019	7,256	403	7,659
Net value evaluated during the purchase	€4,405,420	€714,024	€5,119,443
Net value evaluated during closure	€4,833,947	€268,479	€5,102,426
Par value	€3,701	€206	€3,906
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 24 April 2020

Pursuant to Articles 241-2 and 241-3 of the General Regulation of the AMF, the Company hereinafter presents the share buyback programme to be submitted for the approval of the Combined General Meeting of 24 April 2020. This programme will supersede that authorised by the Combined General Meeting of 4 June 2019.

Number of shares and percentage of share capital held by Hermès International

Between 1 January and 29 February 2020, the Company purchased 23,809 shares and sold 20,241 shares within the framework of the liquidity contract. Furthermore, the company purchased 10,451 shares, outside the framework of the liquidity contract.

As of 29 February 2020, the share capital of the Company consisted of 105,569,412 shares, of which 1,375,604 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 (unchanged)

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 (Market Abuse Regulation "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 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 2019: 10,556,941;
- ♦ the maximum purchase price (excluding costs) would be set at €850 per share;
- ♦ the maximum amount of funds to be committed would be set at €2,000 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 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 24 April 2020, i.e. until 24 October 2021.

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.

DECLARATION NO.	Date of the transaction	Name and function	Nature of the transaction	Securities concerned	Unit price	Amount of the transaction
2019DD591429	1 December 2018	Pierre-Alexis Dumas, member of the Executive Committee	General pledges	Shares	€0.00	€0.00
2019DD599823	21 March 2019	Renaud Momméja, member of the Supervisory Board	General pledges	Shares	€0.00	€0.00
2019DD599825	22 March 2019	Renaud Momméja, member of the Supervisory Board	General pledges	Shares	€0.00	€0.00
2019DD599831	21 March 2019	Laurent Momméja, member of the Executive Management Board of Émile Hermès SARL, Active Partner and Executive Chairman of Hermès International	General pledges	Shares	€0.00	€0.00
2019DD600161	26 February 2019	Pierre-Alexis Dumas, member of the Executive Committee	Pledges	Shares	€0.00	€0.00
2019DD600276	27 March 2019	Olivier Fournier, member of the Executive Committee	Disposal	Shares	€589.00	€736,250.00
2019DD600541	27 March 2019	Clovis, 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	€565.89	€186,743.70
2019DD600888	29 March 2019	Catherine Fulconis, member of the Executive Committee	Disposal	Shares	€590.8142	€1,784,258.88
2019DD608030	16 May 2019	Pascale Mussard, member of the Executive Management Board of Émile Hermès SARL, Active Partner and Executive Chairman of Hermès International	Definitive acquisition of free shares	Shares	€0.00	€0.00
2019DD608046	16 May 2019	Pascale Mussard, member of the Executive Management Board of Émile Hermès SARL, Active Partner and Executive Chairman of Hermès International	Disposal	Shares	€607.874	€7,902.362
2019DD608158	20 May 2019	H2, 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	Conversion	Shares	€493.31	€67,336,815.00
2019DD608159	20 May 2019	Renaud Momméja, member of the Supervisory Board of Hermès International	Conversion	Shares	€493.31	€12,391,947.20
2019DD608162	20 May 2019	Altizo, legal entity related to Renaud Momméja, member of the Supervisory Board	Conversion	Shares	€493.31	€5,169,888.80
2019DD608163	20 May 2019	Laurent Momméja, member of the Executive Management Board of Émile Hermès SARL, Active Partner and Executive Chairman of Hermès International	Conversion	Shares	€493.31	€11,725,978.70
2019DD608164	20 May 2019	Clovis, legal entity related to Laurent Momméja, member of the Executive Management Board of Émile Hermès SARL, Active Partner and Executive Chairman of Hermès International	Conversion	Shares	€493.31	€5,835,857.30
2019DD608167	20 May 2019	Henri-Louis Bauer, member of the Executive Management Board of Émile Hermès SARL, Active Partner and Executive Chairman of Hermès International	Conversion	Shares	€493.31	€2,219,895.00
2019DD608169	20 May 2019	Charles-Éric Bauer, member of the Supervisory Board	Conversion	Shares	€493.31	€2,219,895.00

DECLARATION NO.	Date of the transaction	Name and function	Nature of the transaction	Securities concerned	Unit price	Amount of the transaction
2019DD608170	20 May 2019	Jean-Baptiste Puech, member of the Executive Management Board of Émile Hermès SARL, Active Partner and Executive Chairman of Hermès International	Conversion	Shares	€493.31	€10,112,855.00
2019DD608173	20 May 2019	Posettes, non-stock corporation, legal entity related to Jean-Baptiste Puech, member of the Executive Management Board of Émile Hermès SARL, Active Partner and Executive Chairman of Hermès International	Conversion	Shares	€493.31	€1,973,240.00
2019DD612608	25 June 2019	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	€611.28	€2,445,120.00
2019DD612609	25 June 2019	Guillaume de Seynes, member of the Executive Committee	Disposal	Shares	€611.28	€2,445,120.00
2019DD613186	27 June 2019	Alice Charbin (née Dumas), member of the Executive Management Board of Émile Hermès SARL, Active Partner and Executive Chairman of Hermès International	Disposal	Shares	€630.00	€283,500.00
2019DD613189	27 June 2019	Via Relagia, non-stock corporation, legal entity related to Alice Charbin (née Dumas), member of the Executive Management Board of Émile Hermès SARL, Active Partner and Executive Chairman of Hermès International	Purchase	Shares	€630.00	€283,500.00
2019DD613370	1 July 2019	Laurent Momméja, member of the Executive Management Board of Émile Hermès SARL, Active Partner and Executive Chairman of Hermès International	Pledges	Shares	€0.00	€0.00
2019DD641781	13 September 2019	Sagaie, non-stock corporation, legal entity related to Frédéric Dumas, member of the Executive Management Board of Émile Hermès SARL, Active Partner and Executive Chairman of Hermès International	Purchase	Shares	€643.60	€321,800.00
2019DD658071	5 November 2019	Eric du Halgouët, member of the Executive Committee	Disposal	Shares	€650.00	€663,000.00
2019DD660676	28 November 2019	Olivier Fournier, member of the Executive Committee	Disposal	Shares	€678.0060	€678,006.00
2019DD662506	14 December 2019	Altizo, legal entity related to Renaud Momméja, member of the Supervisory Board	Purchase	Shares	€664.40	€465,080.00
2019DD663330	19 December 2019	Guillaume de Seynes, member of the Executive Committee	Disposal	Shares	€668.80	€592,556.80
2019DD663334	20 December 2019	Capi, non-stock corporation, legal entity related to Guillaume de Seynes, member of the Executive Committee, and Éric de Seynes, Chairman of the Supervisory Board	Purchase	Shares	€668.80	€592,556.80
2019DD663469	23 September 2019	Estelle Brachlianoff, member of the Supervisory Board	Purchase	Shares	€625.40	€62,540.00
2019DD663500	26 November 2019	Alexandre Viros, member of the Supervisory Board	Purchase	Shares	€665.40	€66,540.00

No other Corporate Officer (Executive Chairman or Supervisory Board member) of Hermès International reported any trades in Company shares in 2019.

No other Senior Executive (Executive Committee member) of Hermès International reported any trades in Company shares in 2019.

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

Pursuant to European regulation (EU) No. 596/2014 of 16 April 2014 on market abuse (commonly known as MAR), these 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 ethics 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, 25 January 2019, 10 September 2019 and 22 November 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 interpretations, adaptation to GDPR), law no. 2019-744 of 19 July 2019 on the simplification, clarification and update of corporate law);
- ♦ editorial details.

Version 7 of the Code, dated 22 November 2019, 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 Persons”). 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 Persons 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 Persons 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 30 days before the annual or interim financial statements are made public and up to and including the date on which the annual or interim results are reported, where appropriate,
 - exceptionally, a period beginning when the Group issues a specific alert about a transaction prohibiting trading until the date 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 regulation 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 Persons 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 Persons, 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 priority acquisition right that H51 benefits from covered –at the date of signature– most of the Hermès International shares also held by the members of the Hermès family group (i.e. at 31 December 2019, approximately @12.4% of the capital held by H2 and other members of the Hermès family group, see page 394);
- ♦ 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.

The definition and description of the organisation of the Hermès family group are set out on pages 458, 389 to 391 and 196 respectively.

7.2.5.2 DUTREIL AGREEMENTS

The following shareholder agreement, coming under the Dutreil law and still in force in 2019, was 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</i> , CGI)
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: ♦ Émile Hermès SARL, Executive Chairman and Active Partner ♦ Axel Dumas, Executive Chairman
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

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 367.

You are reminded that, in order to distribute part of the large amount of cash available, an "exceptional" dividend of €5.00 was paid in 2012, 2015 and 2018, in addition to the "ordinary" dividend.

During the General Meeting of 24 April 2020, it will be proposed to set the dividend at €5.00 per share. In view of the level of cash reached at the end of 2019, the Executive Management decided 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)

	2019	2018	2017
Number of shares as at 31 December	105,569,412	105,569,412	105,569,412
Average number of shares (excluding treasury shares)	104,233,233	104,227,077	104,435,755
Market capitalisation as at 31 December	€70.33 billion	€51.18 billion	€47.11 billion
Earnings per share (excluding treasury shares)	€14.66	€13.48	€11.70
Dividend per share	€5.00 ⁽¹⁾	€4.55	€9.10 (2)
Average daily volume (Euronext)	54,467	72,725	62,593
12-month high share price	€689.20	€614.60	€468.30
12-month low share price	€462.40	€417.90	€386.30
12-month average share price	€607.44	€509.85	€433.02
Share price as at 31 December	€666.20	€484.40	€446.25

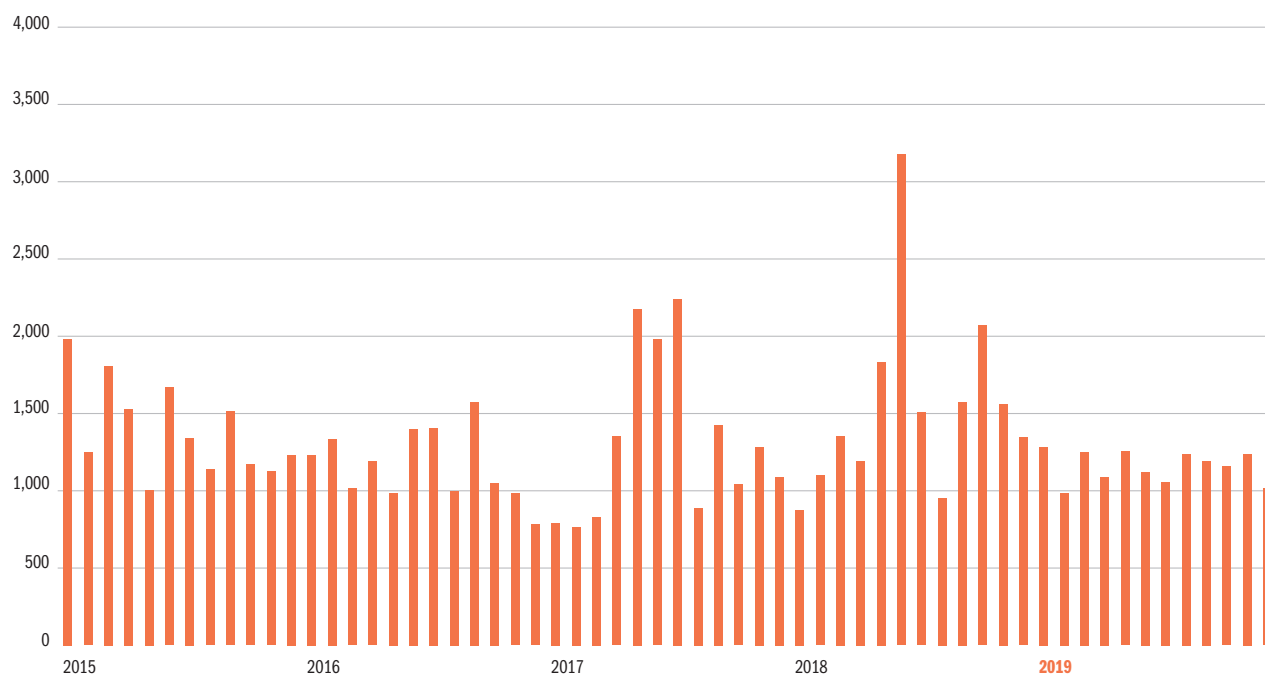
(1) Subject to approval by the Ordinary General Meeting of 24 April 2020. An interim dividend of €1.50 was paid on 5 March 2020.

(2) Corresponds to an ordinary dividend of €4.10 and an exceptional dividend of €5.

7.4.2 HISTORY OF MONTHLY TRANSACTIONS

In number of shares¹

(Source bloomberg)



1. Euronext.

7.4.3 HERMÈS SHARE PRICE HISTORY

Hermès International entered the CAC 40 on 7 June 2018, evidencing the strength of its business model.

In euros



SHARE PRICE TREND OVER THE PAST FIVE FINANCIAL YEARS

2015

Month	Price in euros			Monthly average of daily transactions on Euronext
	Highest	Lowest	Average closing price	
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

Month	Price in euros			Monthly average of daily transactions on Euronext
	Highest	Lowest	Average closing price	
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

Month	Price in euros			Monthly average of daily transactions on Euronext
	Highest	Lowest	Average closing price	
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

Month	Price in euros			Monthly average of daily transactions on Euronext
	Highest	Lowest	Average closing price	
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

2019

Month	Price in euros			Monthly average of daily transactions on Euronext
	Highest	Lowest	Average closing price	
January	524.40	462.40	494.16	58,397
February	562.40	519.20	541.57	49,241
March	598.40	554.00	578.31	59,544
April	627.20	586.60	604.95	54,551
May	625.20	587.80	609.16	57,024
June	638.40	590.60	618.30	56,104
July	652.00	626.20	640.47	45,999
August	645.40	597.80	614.95	56,340
September	656.60	614.60	633.02	56,847
October	654.80	599.20	630.59	50,310
November	683.80	641.00	657.22	58,972
December	689.20	644.20	666.24	50,737

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

NOA – NextGen Online Assistant: virtual assistant on Planetshares (<https://planetshares.bnpparibas.com>).

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 General Regulations of the AMF 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 as well as registration documents, Universal registration documents and financial press releases, available in French and English, for the last five financial years.

Information on the website is not part of the Universal registration document, unless it is incorporated by reference.

7.5.5 2020 FINANCIAL CALENDAR

Publication of the 2019 annual consolidated results	26/02/2020
Publication of the consolidated revenue for the first quarter of 2020	23/04/2020
Combined General Meeting of Shareholders	24/04/2020
Publication of the consolidated results for the first half of 2020	30/07/2020
Publication of the consolidated revenue for the third quarter of 2020	October 2020 ¹

(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 Universal registration document. 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			
	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)	Nominative registration requirement (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 ¹	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. 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 (bond redeemable for shares, equity swap, warrant, etc.), 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 (www.finance.hermes.com) 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.	0.5% (or any multiple of this percentage)	From 0.5%
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 10 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.



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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's reports

- ◆ On the financial statements for the year ended 31 December 2019 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 2019.
- ◆ On the resolutions relating to ordinary business.

Supervisory Board's report on the corporate governance

Supervisory Board's reports to the Combined General Meeting of 24 April 2020

Statutory Auditors' reports

- ◆ On the annual financial statements.
- ◆ On the consolidated financial statements.
- ◆ On the related-party agreements.

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 the related-party agreements.

Sixth resolution

Authorisation granted to the Executive Management to trade in the Company's shares.

Seventh resolution

Approval of total compensation and benefits of all kinds paid during or awarded in respect of the financial year ended 31 December 2019 to the Corporate Officers (global *ex-post* vote).

Eighth resolution

Approval of total compensation and benefits of all kinds paid during or awarded in respect of the financial year ended 31 December 2019 to Mr Axel Dumas, Executive Chairman (individual *ex-post* vote).

Ninth resolution

Approval of total compensation and benefits of all kinds paid during or awarded in respect of the financial year ended 31 December 2019 to the Émile Hermès SARL company, Executive Chairman (individual *ex-post* vote).

Tenth resolution

Approval of total compensation and benefits of all kinds paid during or awarded in respect of the financial year ended 31 December 2019 to Mr Éric de Seynes, Chairman of the Supervisory Board (individual *ex-post* vote).

Eleventh resolution

Approval of the compensation policy for Executive Chairmen (*ex-ante* vote).

Twelfth resolution

Approval of the compensation policy for Supervisory Board members (*ex-ante* vote).

Thirteenth resolution

Re-election of Ms Dorothée Altmayer as Supervisory Board member for a term of three years.

Fourteenth resolution

Re-election of Ms Monique Cohen as Supervisory Board member for a term of three years.

Fifteenth resolution

Re-election of Mr Renaud Momméja as Supervisory Board member for a term of three years.

Sixteenth resolution

Re-election of Mr Éric de Seynes as Supervisory Board member for a term of three years.

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 (17th resolution).
- ♦ On the authorisation to grant stock options (18th resolution).
- ♦ On the authorisation to allocate free existing shares (19th resolution).

8.1.2.2 VOTE ON THE RESOLUTIONS RELATING TO EXTRAORDINARY BUSINESS

Seventeenth 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.

Eighteenth resolution

Authorisation to be given to Executive Management to grant stock options.

Nineteenth resolution

Authorisation to be given to Executive Management to allocate free existing shares.

Twentieth resolution

Amendment to Articles 18.6 (number of Supervisory Board members representing employees) and 22 (compensation of Supervisory Board members) of the Company's Articles of Association.

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 24 April 2020.

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 2019, which show a net profit of €1,653,070,003.69, and the expenses and charges mentioned in Article 39-4 of the French General Tax Code;
- ♦ the consolidated financial statements for financial year 2019.

In the third resolution, we ask you 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 297 et seq.;
- ♦ the parent company financial statements on pages 351 et seq.;
- ♦ the Statutory Auditors' reports on the parent company and consolidated financial statements on pages 369 and 344 respectively.

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 2019, approves as they were presented the parent company financial statements for said financial year, including the balance sheet, statement of profit or loss, and notes, which show a net profit of €1,653,070,003.69, 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 ended 31 December 2019 to €274,168.00, which generated an estimated tax expense of €91,389.00.

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 2019, approves as they were presented the consolidated financial statements for said financial year, including the statement of balance sheet, statement of profit or loss, and notes, which show a consolidated net profit of €1,535.3 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 2019 and ended 31 December 2019.

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 €1,653,070,003.69. Of this amount, the sum of €212,844.00 is to be allocated to the reserve for purchasing original works of art and, pursuant to the Articles of Association, €11,075,569.02 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 €5.00 per share. This represents an increase of 9.89% 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 ¹.

For shareholders who are not fiscally domiciled in France, the dividend distributed is subject to withholding tax at source at one of the rates specified in Article 187 of the French General Tax Code (*Code général des impôts*), in accordance with Article 119 bis of said Code, 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 5 March 2020, the balance of the ordinary dividend, i.e. €3.50 per share, will be detached from the share on 28 April 2020 and payable in cash on 30 April 2020 on the positions approved in the evening of 29 April 2020. 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		
	2018	2017	2016
“Ordinary” dividend	4.55	4.10	3.75
“Exceptional” dividend	-	5.00	-

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 367.

1. Within the scope of the single flat-rate withholding tax, taxpayers may opt, expressly and irrevocably before the deadline for the declaration and overall for all their income defined in Article 200 A 1 of the French General Tax Code (*Code général des impôts*), for their income to be taxed using the progressive income tax scale, in accordance with Article 200 A-2 of the French General Tax Code (*Code général des impôts*).

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 €1,653,070,003.69 and that the previous retained earnings amounts to €1,426,416,865.23, and after noting that the legal reserve is fully funded, approves the allocation of these amounts, representing a distributable profit in the amount of €3,079,486,868.92, as proposed by the Supervisory Board, namely:

- ♦ to the reserve for purchasing original works of art, in the amount of €212,844.00;
- ♦ to the Active Partner, pursuant to Article 26 of the Articles of Association, in the amount of €11,075,569.02;
- ♦ an “ordinary” dividend to the shareholders of €5 per share, i.e.: €527,847,060.00 ¹;
- ♦ to other reserves in the amount of €500,000,000.00;
- ♦ the balance to the “Retained earnings” account, i.e. €2,040,351,395.90;
- ♦ **altogether €3,079,486,868.92.**

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 2019, i.e. 105,569,412 shares, and may vary if the number of shares granting rights to a dividend changes between 1 January 2020 and the ex-dividend date, depending in particular on 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*).

The Ordinary General Meeting resolves that the balance of the ordinary dividend for the period (an interim dividend of €1.50 per share was paid on 5 March 2020), i.e. €3.50 per share, will be detached from the share on 28 April 2020 and payable in cash on 30 April 2020 on the positions approved in the evening of 29 April 2020.

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%.

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 ¹.

For shareholders who are not fiscally domiciled in France, the dividend distributed is subject to withholding tax at source at one of the rates specified in Article 187 of the French General Tax Code (*Code général des impôts*), in accordance with Article 119 bis of said Code, which may be reduced in application of any tax agreement concluded between France and the State in which the beneficiary is fiscally resident.

In accordance with the provisions of Article 43 bis of the French General Tax Code (*Code général des impôts*), the General Meeting duly notes that dividends distributed to shareholders in respect of the three previous financial years were as follows:

In euros	Financial year		
	2018	2017	2016
“Ordinary” dividend	4.55	4.10	3.75
“Exceptional” dividend	-	5.00	-

1. Within the scope of the single flat-rate withholding tax, taxpayers may opt, expressly and irrevocably before the deadline for the declaration and overall for all their income defined in Article 200 A 1 of the French General Tax Code (*Code général des impôts*), for their income to be taxed using the progressive income tax scale, in accordance with Article 200 A-2 of the French General Tax Code (*Code général des impôts*).

FIFTH RESOLUTION: APPROVAL OF RELATED-PARTY AGREEMENTS

Purpose

Pursuant to the fifth resolution, in the absence of related-party agreements entered into during the 2019 financial year, you are asked to note that there are no agreements to approve.

Agreements authorised in prior years

The agreements authorised 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 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 440 and 441.

You are reminded that the allowances or benefits due or likely to be due as a result of a change or cessation of office by an Executive Officer, or subsequent to them, and the defined-benefit pension plan commitments of the dissociated Chairman and Executive Officers are no longer subject to the enhanced related-party agreements scheme (Article L. 225-42-1 of the French Commercial Code (*Code de commerce*), having been repealed by order no. 2019-1234 of 27 November 2019).

Fifth resolution:

Approval of the related-party agreements

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 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 and transactions referred to therein.

SIXTH RESOLUTION: AUTHORISATION GRANTED TO THE EXECUTIVE MANAGEMENT TO TRADE IN THE COMPANY'S 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 2019: 10,556,941 shares;
- ♦ the maximum purchase price (excluding costs) would be set at €850 per share;
- ♦ the maximum amount of funds to be committed would be set at €2,000 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 Financial Markets Authority (AMF) General Regulation, and
- 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,
 - ♦ the Company will not at any time own more than 10% of its capital on the date in question.

- 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 authorised, 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 purchase price per share shall be no higher than eight hundred and fifty euros (€850), excluding costs;
- 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 two billion euros (€2,000 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 18 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 4 June 2019 in its sixth resolution ("authorisation of Company buyback of treasury shares").

SEVENTH, EIGHTH, NINTH AND TENTH RESOLUTIONS: APPROVAL OF TOTAL COMPENSATION AND BENEFITS OF ALL KINDS PAID DURING OR AWARDED IN RESPECT OF THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 TO THE CORPORATE OFFICERS (GLOBAL EX-POST VOTE), THE EXECUTIVE CHAIRMEN AND THE CHAIRMAN OF THE SUPERVISORY BOARD (INDIVIDUAL EX-POST VOTES)

Purpose

The new system applicable to *sociétés en commandite par actions* (partnerships limited by shares) governing senior executives compensation, introduced by Order No. 2019-1234 of 27 November 2019, is set out in detail in chapter 3 of this Universal registration document (chapter 3, section 3.5 “Compensation and benefits paid to Corporate Officers”, paragraph “System applicable from 2020”, page 254).

This mechanism provides for the Shareholders’ General Meeting to vote each year on the total compensation and benefits of any kind paid during or awarded in respect of the financial year ended to the Corporate Officers (global ex-post vote), Executive Chairmen and Chairman of the Supervisory Board (individual ex-post votes).

However, from 2020, this variable compensation for the Executive Chairmen must be submitted to the approval of the General Meeting before its payment. Consequently, reference is made in the following tables to the amounts paid during the 2019 financial year (awarded in respect of the 2018 financial year) but also to the amounts awarded in 2020 in respect of financial year 2019.

Through the seventh to tenth resolutions, we request that you approve the total compensation and benefits of any kind paid to Corporate Officers during or awarded in respect of the financial year ended 31 December 2019 (ex-post votes).

These items are set out in the tables below, as follows:

Resolutions	Corporate Officers concerned
Global ex-post vote	
7 th (compensation and benefits of all Corporate Officers)	Executive Chairmen, Chairman and members of the Supervisory Board
Individual ex-post votes	
8 th (compensation and benefits of Mr Axel Dumas)	Executive Chairman
9 th (compensation and benefits of Émile Hermès SARL)	Executive Chairman
10 th (compensation and benefits of Mr Éric de Seynes)	Chairman of the Supervisory Board

EXECUTIVE CHAIRMEN

Elements of compensation submitted to the vote	Amount paid during the financial year 2019 or accounting valuation in euros	Presentation
7th and 8th resolutions (global and individual ex-post votes): Mr Axel Dumas		
		<p>In accordance with the new framework governing compensation of senior executives introduced by Order No. 2019-1234 of 27 November 2019, which comes into force for your Company as of the Combined General Meeting of 24 April 2020, these elements of compensation are subject to approval by the shareholders for the first time at said meeting, and as such have never been part of a compensation policy that is subject to an <i>ex-ante</i> vote by the shareholders.</p> <p>To the extent that the Executive Chairmen receive neither multi-year variable compensation nor deferred variable compensation, only the following elements are subject to a vote:</p> <ul style="list-style-type: none"> ♦ fixed compensation paid during the financial year 2019; ♦ variable compensation awarded in respect of the financial year 2018 paid during the financial year 2019; ♦ variable compensation awarded in respect of the financial year 2019 whose payment in 2020 is contingent on approval by shareholders; ♦ benefits of any kind. <p>All the compensation components set out below comply with the compensation policy for Executive Chairmen (see chapter 3, sections 3.5.1.1. "Compensation policy guidelines for Corporate Officers" and 3.5.1.2. "Specific guidelines applicable to the compensation policy for Executive Chairmen (Executive Corporate Officers)", on pages 257 to 261).</p>
Gross annual fixed compensation 2019 (or "additional" compensation in accordance with the Articles of Association)	€1,623,378	<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 (€2,610,994 for 2019). 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, which is subject to the deliberation of the Supervisory Board.</p> <p>The fixed compensation of Mr Axel Dumas paid in 2019 was determined by the Executive Management Board on 19 March 2019.</p>
Annual gross variable compensation paid in 2019 in respect of 2018 (referred to as "statutory" compensation in accordance with the Articles of Association)	€1,780,045 (CSR criterion not applicable)	<p>The gross annual statutory compensation of each Executive Chairman for a given financial year, shall not be more than 0.20% of the Company's consolidated income before tax (€4,159,330 for 2019) for the previous financial year.</p> <p>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.</p> <p>The gross annual variable compensation of Mr Axel Dumas allocated and paid in 2019 was determined by the Executive Management Board on 19 March 2019.</p>
Deferred variable compensation	n/a	The principle of the allocation of deferred variable compensation is not provided for.
Multi-year compensation	n/a	No multi-year compensation arrangement was implemented in 2019.
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 or in respect of the 2019 financial year.
Compensation for assumption of duties	n/a	No such commitment exists.

Elements of compensation submitted to the vote	Amount paid during the financial year 2019 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”).</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"> ♦ 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. <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 financial 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 a <i>société en commandite par actions</i> (partnerships limited by shares) – 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	n/a	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 (Code général des impôts))</i></p> <p>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”).</p> <p>As with all employees of the Group:</p> <ul style="list-style-type: none"> ♦ 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; ♦ these premiums are shared between the company (90.91%) and the beneficiary (9.09%); ♦ the employer premiums 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, i.e. €202,620 in 2019. <p>For information, if Mr Axel Dumas had been able to liquidate his retirement entitlements on 31 December 2019, the estimated maximum gross amount of annual pension under the defined-contribution pension plan would be €6,296.</p> <p><i>Defined-benefit pension plan (Article 39 of the French General Tax Code (Code général des impôts) – Article L. 137-11 of the French Social Security Code (Code de la Sécurité sociale))</i></p> <p>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”).</p> <p>This pension plan is financed by the company through a policy taken out with an external insurance firm.</p> <p>It is not limited solely to the Executive Chairmen but also encompasses a wider group of Senior Executives.</p>

Elements of compensation submitted to the vote	Amount paid during the financial year 2019 or accounting valuation in euros	Presentation
		<p>Each participant gradually acquires potential rights, calculated each year on the basis of his or her annual reference compensation, 2019 being the last year taken into account when calculating such rights (in application of order no. 2019-697 of 3 July 2019). These potential rights represent, depending on the seniority and for each year, a percentage of the reference compensation ranging between 0.9% and 1.5%. In accordance with the regulations, as Mr Axel Dumas has seniority exceeding 16 years, this percentage is set at 1.50%. It is in any event, below the legal limit of 3%.</p> <p>The annual amount of this pension would correspond to this percentage of the average reference compensation over the last 36 months of employment, multiplied by the number of years or fractions of years, up to and including 31 December 2019.</p> <p>In application of the plan, two ceilings are applied to the final annual pension amount:</p> <ul style="list-style-type: none"> ♦ the annual pension amount is capped at 8 x PASS i.e. €324,192 in 2019; ♦ the sum of (i) pensions accrued in respect of statutory and collective agreement plans (excluding increases for children raised) including rights accrued in overseas pension plans, pensions resulting from any supplementary plan that may be put in place within Groupe Hermès and (ii) the amount of the top-up pension resulting from the regulations is capped at 70% of the last reference compensation. <p>Mr Axel Dumas was eligible for this plan in respect of 2019.</p> <p>Subject to satisfying the conditions of the plan at the time of liquidation of his or her pension, in particular, the beneficiary ending his or her career in the Company after at least 10 years' seniority and the liquidation of the retirement pension as per the basic Social Security pension regime, and any statutory changes that may occur, the potential pension rights calculated for Mr Axel Dumas at 31 December 2019, would be €65,979 (based on reference compensation of €2,593,536 in 2019).</p> <p>For information, the maximum amount of the future pension indicated above, limited by the plan's regulations to eight times the annual Social Security limit, compared with the compensation for the 2019 financial year of the natural person Executive Chairman would represent a replacement rate (excluding mandatory plans) of 9.53%.</p> <p>The following income tax and social security charges are currently applicable to the plan:</p> <ul style="list-style-type: none"> ♦ with regard to social security contributions, using an irrevocable option, the Company has chosen to apply the fixed contribution set out in Article L. 137-11 of the French Social Security Code (<i>Code de la Sécurité sociale</i>) concerning the premiums paid to the external insurance firm at the rate of 24%. The beneficiary must pay – as for all replacement income – CSG (social security tax) and CRDS (social security debt repayment tax), in addition to healthcare contributions and an additional solidarity contribution for autonomy (CASA) on the amount of the pension. In the specific case of pensions resulting from defined-benefit pension plans, the beneficiary of the pension must also pay a social security contribution, at a rate that varies depending on the amount of the pension and its liquidation date; ♦ with regard to taxation, the premiums paid to the external insurance firm may be deducted from the tax base for corporation tax.
Compensation paid or awarded by a company falling within the scope of consolidation	n/a	The principle of such compensation is not provided for.
Valuation of benefits of any kind	€40	<p>Mr Axel Dumas is eligible for a representation policy constituting his only benefit in kind.</p> <p>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).</p>

Elements of compensation submitted to the vote	Amount paid during the financial year 2019 or accounting valuation in euros	Presentation
Death and disability plan		<p>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).</p> <p>It provides, as is the case for all employees, the following gross lifetime benefits:</p> <ul style="list-style-type: none"> ◆ 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; ◆ a death benefit equal to a maximum of 380% of the reference compensation, capped at eight x PASS, depending on the family situation; ◆ 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); ◆ 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.
Elements of compensation submitted to the vote	Amount awarded in 2020 in respect of 2019 in euros	Presentation
Annual gross variable compensation awarded in 2020 in respect of 2019 (or “statutory” compensation in accordance with the Articles of Association) whose payment is contingent on approval of the General Meeting of 24 April 2020	€1,956,269 of which 10% for achieving the CSR criterion	<p>The gross annual statutory compensation of each Executive Chairman for a given financial year, shall not be more than 0.20% of the Company’s consolidated income before tax (€4,571,104 for 2020) for the previous financial year.</p> <p>Within the limits defined herein, the Executive Management Board of Émile Hermès SARL, Active Partner, sets the effective amount of the annual statutory compensation payable to each Executive Chairman, which from 2020 onwards is subject to the deliberation of the Supervisory Board. Thus, no minimum statutory compensation is guaranteed for the Executive Chairmen.</p> <p>A portion of the variable compensation is submitted to a new “CSR” criterion representing the Group’s firm and ongoing commitments to sustainable development.</p> <p>This criterion is applied to 10% of the target variable compensation.</p> <p>The indicators relating to the CSR criterion relate to the following:</p> <ul style="list-style-type: none"> ◆ decoupling between business growth at constant scope and exchange rates and the evolution of industrial energy consumption (quantifiable environmental criterion); ◆ actions implemented in favour of the territorial anchoring of the group in France and throughout the world, excluding major cities (qualitative societal criterion); ◆ Group initiatives in favour of gender balance (qualitative social criterion). <p>Achievement of these indices was assessed by the CAG-CSR Committee at its meeting of 9 January 2020. Further details regarding this assessment are set out in chapter 3 of the 2019 Universal registration document (chapter 3, section 3.5.2.1 “Compensation paid to the Executive Chairmen during or awarded in respect of 2019 (Executive Corporate Officers)”, page 265).</p> <p>The gross annual variable compensation of Mr Axel Dumas awarded in 2020 in respect of 2019 was determined by the Executive Management Board on 24 February 2020 and was subject to the deliberation of the Supervisory Board at its meeting of 25 February 2020.</p>

Elements of compensation submitted to the vote	Amount paid during the financial year 2019 or accounting valuation in euros	Presentation
7th and 9th resolutions (global and individual ex-post votes): Émile Hermès SARL		
		<p>In accordance with the new framework governing compensation of senior executives introduced by Order No. 2019-1234 of 27 November 2019, which comes into force for your Company as of the Combined General Meeting of 24 April 2020, these elements of compensation are subject to approval by the shareholders for the first time at said meeting, and as such have never been part of a compensation policy that is subject to an ex-ante vote by the shareholders.</p> <p>To the extent that the Executive Chairmen receive neither multi-year variable compensation nor deferred variable compensation, only the following elements are subject to a vote:</p> <ul style="list-style-type: none"> ♦ fixed compensation paid during the financial year 2019; ♦ variable compensation awarded in respect of the financial year 2018 paid during the financial year 2019; ♦ variable compensation awarded in respect of the financial year 2019 whose payment in 2020 is contingent on approval by shareholders; ♦ benefits of any kind. <p>All the compensation components set out below comply with the compensation policy for Executive Chairmen (see chapter 3, sections 3.5.1.1. "Compensation policy guidelines for Corporate Officers" and 3.5.1.2. "Specific guidelines applicable to the compensation policy for Executive Chairmen (Executive Corporate Officers)", on pages 257 to 261).</p>
Gross annual fixed compensation (or "additional" compensation in accordance with the Articles of Association)	€551,850	<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 (€2,610,994 for 2019). 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, which is subject to the deliberation of the Supervisory Board.</p> <p>The fixed compensation paid in 2019 to the company Émile Hermès SARL was determined by the Executive Management Board on 18 March 2019.</p>
Annual gross variable compensation paid in 2019 in respect of 2018 ("statutory" compensation in accordance with the Articles of Association)	€830,083 (CSR criterion not applicable)	<p>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 (€4,159,330 for 2019) for the previous financial year.</p> <p>Within the limits defined herein, the Executive Management Board of Émile Hermès SARL, Active Partner, sets the effective amount of the annual statutory compensation payable to each Executive Chairman, which is subject to the deliberation of the Supervisory Board. Thus, no minimum statutory compensation is guaranteed for the Executive Chairmen.</p> <p>The gross annual variable compensation of Émile Hermès SARL allocated and paid in 2019 was determined by the Executive Management Board on 19 March 2019.</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 2019.
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 or in respect of the 2019 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.

Elements of compensation submitted to the vote	Amount paid during the financial year 2019 or accounting valuation in euros	Presentation
Compensation paid or awarded by a company falling within the scope of consolidation	n/a	The principle of such compensation is not provided for.
Valuation of benefits of any kind	n/a	Émile Hermès SARL does not receive benefits of any kind.
Death and disability plan	n/a	Émile Hermès SARL, a legal entity, is not eligible for a death and disability plan.

Elements of compensation submitted to the vote	Amount awarded in 2020 in respect of 2019 in euros	Presentation
Gross annual variable compensation awarded in 2020 in respect of 2019 (or “statutory” compensation in accordance with the Articles of Association) the payment of which is contingent on the approval of the General Meeting of 24 April 2020	€912,261 of which 10% for achieving the CSR criterion	<p>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 (€4,571,104 for 2020) for the previous financial year.</p> <p>Within the limits defined herein, the Executive Management Board of Émile Hermès SARL, Active Partner, sets the effective amount of the annual statutory compensation payable to each Executive Chairman, which from 2020 onwards is subject to the deliberation of the Supervisory Board. Thus, no minimum statutory compensation is guaranteed for the Executive Chairmen.</p> <p>A portion of the variable compensation is submitted to a new “CSR” criterion representing the Group's firm and ongoing commitments to sustainable development.</p> <p>This criterion is applied to 10% of the target variable compensation.</p> <p>The indicators relating to the CSR criterion relate to the following:</p> <ul style="list-style-type: none"> ◆ decoupling between business growth at constant scope and exchange rates and the evolution of industrial energy consumption (quantifiable environmental criterion); ◆ actions implemented in favour of the territorial anchoring of the group in France and throughout the world, excluding major cities (qualitative societal criterion); ◆ Group initiatives in favour of gender balance (qualitative social criterion). <p>Achievement of these indices was assessed by the CAG-CSR Committee at its meeting of 9 January 2020. Further details regarding this assessment are set out in chapter 3 of this 2019 Universal registration document (chapter 3, section 3.5.2.1 “Compensation paid to the Executive Chairmen during or awarded in respect of 2019 (Executive Corporate Officers)”, page 265).</p> <p>The gross annual variable compensation of Émile Hermès SARL awarded in 2020 was determined by the Executive Management Board on 24 February 2020 and was subject to the deliberation of the Supervisory Board at its meeting of 25 February 2020.</p>

n/a: not applicable.

Chairman of the Supervisory Board

Elements of compensation submitted to the vote	Amount paid during the financial year 2019 or accounting valuation in euros	Presentation
7th and 10th resolutions (global and individual ex-post votes): Mr Éric de Seynes		<p>In accordance with the new framework governing compensation of senior executives introduced by Order No. 2019-1234 of 27 November 2019, which comes into force for your Company as of the Combined General Meeting of 24 April 2020, this compensation is subject to approval by the shareholders for the first time at said meeting, and as such has never been part of a compensation policy that is subject to an <i>ex-ante</i> vote by the shareholders.</p> <p>The compensation components set out below comply with the compensation policy for members of the Supervisory Board (see chapter 3, sections 3.5.1.1. "Compensation policy guidelines for Corporate Officers" and 3.5.1.3. "Specific guidelines applicable to the compensation policy for Supervisory Board Members (non-Executive Corporate Officers)", on pages 255 and 256 and pages 262 to 264).</p>
Gross annual fixed compensation	€140,000	The Chairman of the Supervisory Board is entitled to fixed annual compensation of €140,000. This is deducted from the total amount of 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.
Gross annual variable compensation	n/a	The principle of such compensation for the Chairman is not provided for.
Other elements of compensation	n/a	No other form of compensation is provided for.
Other commitments	n/a	No other commitments exist.
Elements of compensation submitted to the vote	Amount awarded in 2020 in respect of 2019 in euros	Presentation
None	None	None

Other members of the Supervisory Board

Elements of compensation submitted to the vote	Amount paid during the financial year 2019 or accounting valuation in euros	Presentation
7th resolution (global ex-post vote): Members of the Supervisory Board (excluding the Chairman)		<p>In accordance with the new framework governing compensation of senior executives introduced by Order No. 2019-1234 of 27 November 2019, which comes into force for your Company as of the Combined General Meeting of 24 April 2020, these elements of compensation are subject to approval by the shareholders for the first time at said meeting, and as such have never been part of a compensation policy that is subject to an <i>ex-ante</i> vote by the shareholders.</p> <p>Supervisory Board members receive compensation in a total amount that is approved by the General Meeting and that is apportioned by the Supervisory Board.</p> <p>Compensation paid to members of the Audit and Risk Committee and the CAG-CSR Committee is deducted from the total amount of compensation of Supervisory Board members.</p> <p>The General Meeting of 6 June 2017 set the maximum annual amount of compensation allocated to the Supervisory Board and its Committees at €600,000.</p> <p>The compensation components set out below comply with the compensation policy for members of the Supervisory Board (see chapter 3, sections 3.5.1.1. "Compensation policy guidelines for Corporate Officers" and 3.5.1.3. "Specific guidelines applicable to the compensation policy for Supervisory Board members (non-Executive Corporate Officers)", on pages 255 and 256 and pages 262 to 264).</p>
Compensation of Board members (formerly termed "directors' fees")	See "Tables on the compensation received by Supervisory Board members" (chapter 3, section 3.5.5 "Tables required by the Afep-Medef Code for the presentation of certain elements of compensation" on pages 271 and 272).	See the allocation principles set out in chapter 3 of this 2019 Universal registration document (chapter 3, section 3.5.1.3 "Specific principles applicable to the compensation policy for Supervisory Board members (non-Executive Corporate Officers)" on pages 262 to 264).

Elements of compensation submitted to the vote	Amount paid during the financial year 2019 or accounting valuation in euros	Presentation
Gross annual variable compensation as a Board member (formerly termed “directors’ fees”) paid in 2019 in respect of 2018 attendance	see “Tables on the compensation received by Supervisory Board members” (chapter 3, section 3.5.5 “Tables required by the Afep-Medef Code for the presentation of certain elements of compensation” on pages 271 and 272).	See the allocation principles set out in chapter 3 of this 2019 Universal registration document (chapter 3, section 3.5.1.3 “Specific principles applicable to the compensation policy for Supervisory Board members (non-Executive Corporate Officers)” on pages 262 to 264).
Other elements of compensation	n/a	No other form of compensation is provided for.
Other commitments	n/a	No other commitments exist.
Elements of compensation submitted to the vote	Amount awarded in 2020 in respect of 2019 in euros	Presentation
Gross annual variable compensation as a Board member (formerly termed “directors’ fees”) paid in 2020 in respect of 2019 attendance	See “Tables on the compensation received by Supervisory Board members” (chapter 3, section 3.5.5 “Tables required by the Afep-Medef Code for the presentation of certain elements of compensation” on pages 271 and 272).	See the allocation principles set out in chapter 3 of this 2019 Universal registration document (chapter 3, section 3.5.1.3 “Specific principles applicable to the compensation policy for Supervisory Board members (non-Executive Corporate Officers)” on pages 262 to 264).

n/a: not applicable.

Seventh resolution:

Approval of total compensation and benefits of all kinds paid during or awarded in respect of the financial year ended 31 December 2019 to the Corporate Officers (global ex-post vote)

The General Meeting, acting under the quorum and majority requirements for Ordinary General Meetings, pursuant to Article L. 226-8-2 I of the French Commercial Code (*Code de commerce*), approves the total compensation and benefits of all kinds paid during or awarded in respect of the financial year ended 31 December 2019 to the Corporate Officers, as presented in the purpose of draft resolutions.

Eighth resolution:

Approval of total compensation and benefits of all kinds paid during or awarded in respect of the financial year ended 31 December 2019 to Mr Axel Dumas, Executive Chairman (individual ex-post vote)

The General Meeting, acting under the quorum and majority requirements for Ordinary General Meetings, in line with the provisions of

Article L. 226-8-2, II of the French Commercial Code (*Code de commerce*), approves the total compensation and benefits of all kinds paid during or awarded in respect of the financial year ended 31 December 2019 to Mr Axel Dumas, Executive Chairman, as presented in the purpose of draft resolutions.

Ninth resolution:

Approval of total compensation and benefits of all kinds paid during or awarded in respect of the financial year ended 31 December 2019 to the Émile Hermès SARL company, Executive Chairman (individual ex-post vote)

The General Meeting, acting under the quorum and majority requirements for Ordinary General Meetings, in line with the provisions of Article L. 226-8-2, II of the French Commercial Code (*Code de commerce*), approves the total compensation and benefits of all kinds paid during or awarded in respect of the financial year ended 31 December 2019 to Émile Hermès SARL, Executive Chairman, as presented in the purpose of draft resolutions.

Tenth resolution:

Approval of total compensation and benefits of all kinds paid during or awarded in respect of the financial year ended 31 December 2019 to Mr Éric de Seynes, Chairman of the Supervisory Board (individual *ex-post* vote)

The General Meeting, acting under the quorum and majority requirements for Ordinary General Meetings, in line with the provisions of

Article L. 226-8-2, II of the French Commercial Code (*Code de commerce*), approves the total compensation and benefits of all kinds paid during or awarded in respect of the financial year ended 31 December 2019 to Mr Éric de Seynes, Chairman of the Supervisory Board, as presented in the purpose of draft resolutions.

ELEVENTH AND TWELFTH RESOLUTIONS: COMPENSATION POLICIES FOR EXECUTIVE CHAIRMEN AND SUPERVISORY BOARD MEMBERS (EX-ANTE VOTES).**Purpose**

The new framework applicable to *sociétés en commandite par actions* (partnerships limited by shares) governing Senior Executive compensation, introduced by Order No. 2019-1234 of 27 November 2019, is set out in detail in chapter 3 of this Universal registration document (chapter 3, section 3.5 “Compensation and benefits paid to Corporate Officers”, paragraph “System applicable from 2020”, page 254).

This system provides that the Shareholders' General Meeting votes each year on the compensation policies of the Corporate Officers (i.e. the Executive Chairmen and the Supervisory Board members).

These are set out in chapter 3 of this Universal registration document (chapter 3, sections 3.5.1.1 to 3.5.1.3 on pages 254 et seq.).

Through the 11th and 12th resolutions, we ask you to approve the following compensation policies (*ex-ante* vote):

Resolutions	Corporate Officers concerned
Ex-ante vote	
11 th (compensation policy)	Executive Chairmen
12 th (compensation policy)	Members of the Supervisory Board

Eleventh resolution:**Approval of the compensation policy for Executive Chairmen (*ex-ante* vote)**

The General Meeting, acting under the quorum and majority requirements for Ordinary General Meetings, having reviewed the Supervisory Board's corporate governance report, pursuant to Article L. 226-8-1, II of the French Commercial Code (*Code de commerce*), approves the compensation policy for Executive Chairmen, as set out in the afore-mentioned report (chapter 3, section 3.5.1.1 and 3.5.1.2 of the 2019 Universal registration document).

Twelfth resolution:**Approval of the compensation policy for Supervisory Board members (*ex-ante* vote).**

The General Meeting, acting under the quorum and majority requirements for Ordinary General Meetings, having reviewed the Supervisory Board's corporate governance report, pursuant to Article L. 226-8-1, II of the French Commercial Code (*Code de commerce*), approves the compensation policy for Supervisory Board members, as set out in the afore-mentioned report (chapter 3, section 3.5.1.1 and 3.5.1.3 of the 2019 Universal registration document).

THIRTEENTH, FOURTEENTH, FIFTEENTH AND SIXTEENTH RESOLUTIONS: RE-ELECTION OF SUPERVISORY BOARD MEMBERS

Purpose

The terms of office of four members of the Supervisory Board (Mses. Dorothée Altmayer and Monique Cohen, Messrs. Renaud Momméja and Éric de Seynes) expire at the end of this meeting.

In the thirteenth, fourteenth, fifteenth and sixteenth resolutions, the Active Partner proposes that you renew, for the three year period as set out in the Articles of Association, the mandates of these members of the Supervisory Board:

These four mandates would thus expire at the end of the General Meeting called in 2023 to approve the financial statements for the financial year ending 31 December 2022.

Ms Dorothée Altmayer has been a member of the Supervisory Board since 6 June 2017.

She brings to the Board her in-depth knowledge of the history and culture of Hermès. Her professional background, her skills in human resources, and the commitment with which she carries out her duties enable her to make an effective contribution to the quality of the discussions and work of the Board in all of its areas of responsibility.

Ms Monique Cohen is an independent member of the Supervisory Board and Chairwoman of the Audit and Risk Committee since 3 June 2014.

Her professional background, her experience as a manager and director of large international groups, her knowledge of financial and banking markets, her expertise in managing equity investments, her shareholders-based financial vision, and the commitment with which she carries out her duties and chairs the Audit and Risk Committee enable her to make an effective contribution to the quality of the discussions and work of the Board in all of its areas of responsibility.

Mr Renaud Momméja has been a member of the Supervisory Board since 2 June 2005.

He brings to the Board his in-depth knowledge of the history and culture of Hermès, as well as that of Asia. His professional background, his expertise in the fields of property, finance, corporate strategy and CSR, and the commitment with which he carries out his duties and participates in the Audit and Risk Committee enable him to make an effective contribution to the quality of the discussions and work of the Board in all of its areas of responsibility.

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 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.

He brings to the Board his in-depth knowledge of the history and culture of Hermès, alongside his leadership skills. His professional background, his extensive managerial experience, his skills as an operational and functional manager of an industrial group with an international dimension, the commitment with which he carries out his duties and chairs the Board enable him to make an effective contribution to the quality of the discussions and work of the Board in all of its areas of responsibility.

Cumulative attendance over the three years of their last term of office

	Supervisory Board	Audit and Risk Committee	Committee CAG-CSR
Ms Dorothée Altmayer	100.00%	n/a	n/a
Ms Monique Cohen	95.45%	100.00%	n/a
Mr Renaud Momméja	95.45%	83.33%	n/a
Mr Eric de Seynes	100.00%	n/a	n/a

n/a: not applicable.

Information on the persons whose renewal is submitted for your approval is provided on pages 215 to 218, 221, 233 and 234.

Thirteenth resolution:**Re-election of Ms Dorothée Altmayer 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 Dorothée Altmayer

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 2023 to approve the financial statements for the financial year ending 31 December 2022.

Ms Dorothée Altmayer 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.

Fourteenth resolution:**Re-election of Ms Monique Cohen 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 Monique Cohen

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 2023 to approve the financial statements for the financial year ending 31 December 2022.

Ms Monique Cohen 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.

Fifteenth resolution:**Re-election of Mr Renaud Momméja 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 Renaud Momméja

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 2023 to approve the financial statements for the financial year ending 31 December 2022.

Mr Renaud Momméja 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.

Sixteenth resolution:**Re-election of Mr Éric de Seynes 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 Éric de Seynes

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 2023 to approve the financial statements for the financial year ending 31 December 2022.

Mr Éric de Seynes 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.

8.2.2 EXTRAORDINARY BUSINESS

SEVENTEENTH RESOLUTION: AUTHORISATION TO REDUCE THE SHARE CAPITAL BY CANCELLATION OF SHARES

Purpose

In the seventeenth 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 seventeenth resolution is presented on page 442.

Seventeenth 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 granted to the Executive Management to trade in the Company's 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 24 months.

It cancels and replaces, for the remaining term and the unused portion, the authorisation granted by the Combined General Meeting of 4 June 2019 in its fourteenth resolution ("authorisation to reduce share capital by cancellation of shares").

EIGHTEENTH RESOLUTION: STOCK OPTIONS

Purpose

Pursuant to the 18th resolution, we ask you to renew the authorisation granted to the Executive Management to grant stock options to the employees and Executive Corporate Officers of the company and its subsidiaries.

Since 2008, no stock option plan has been offered to employees and Executive Corporate Officers of the Company and its subsidiaries. The Company would, however, like to renew this authorisation so that it still has the possibility of using this mechanism. Options may be a suitable compensation tool in certain situations, including for aligning the interests of Senior Executives and employees with those of shareholders by creating value in the medium and long term. There are strict regulations on granting options.

The total number of stock options that may be granted pursuant to this resolution and not yet exercised, and the total number of free shares awarded pursuant to the 18th resolution may not represent a number of shares greater than 2% of the total number of ordinary shares existing at the time of the grants, without taking into account:

- ◆ those already granted pursuant under previous authorisations;
- ◆ those not definitively allocated at the end of the vesting period provided for in the sixth paragraph of Article L. 225-197-1, I of the French Commercial Code (*Code de commerce*);
- ◆ those no longer subject to the retention period provided for in the seventh paragraph of Article L. 225-197-1, I of the French Commercial Code (*Code de commerce*).

The share purchase price would be set by the Executive Management, within the limits and according to the methods laid down in law.

Given the regulations currently in force, the purchase price may not be less than 80% of the average price quoted over 20 stock market trading days on the Euronext Paris regulated market preceding the option grant date, nor may it be less than 80% of the average purchase price of the shares held by the Company, acquired in particular as part of the buyback programme. This price may not be changed, unless the Company were to undertake the financial transactions referred to in Article L. 225-181 of the French Commercial Code (*Code de commerce*), during the lifetime of the options. In this event, Executive Management would adjust the number and price of the shares in line with the legal provisions. The stock options may be exercised within a maximum period of seven years from their grant date.

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.

In the event one or more Executive Chairmen are granted stock options:

- 1) the Company must meet one or more of the conditions specified in Article L. 225-186-1 of the French Commercial Code (*Code de commerce*); i.e.:
 - ◆ either also grant such options to all of the Company's employees and to at least 90% of the employees of its French subsidiaries, or
 - ◆ grant free shares to the employees referred to above, or
 - ◆ enhance (or set up if necessary) arrangements for profit-sharing and/or incentive schemes for employees of the Company and its subsidiaries;
- 2) in accordance with the provisions of Article L. 225-185 of the French Commercial Code (*Code de commerce*), the Supervisory Board must ensure that the stock options may not be exercised before the relevant Executive Chairmen cease their duties, or must set a quantity of shares resulting from the exercise of stock options to be kept in registered form until the termination of their duties;
- 3) in addition, in accordance with the Afep-Medef Corporate Governance Code, to which the Company refers:
 - ◆ the exercise price of the options will not include any discount,
 - ◆ the options granted will be subject to demanding performance conditions to be met over several years and defined at the time of their granting,
 - ◆ the maximum percentage of shares to which Executive Chairmen may subscribe by virtue of their stock options under this resolution will be 0.05% of the share capital at the date on which Executive Management decides to grant them, this sub-limit being offset against the 2% ceiling common to the delegations under the 18th and 19th resolutions.

This authorisation would be valid for 38 months from the date of the General Meeting.

The Statutory Auditors' report on the 18th resolution is presented on page 443.

Eighteenth resolution:

Authorisation to be given to Executive Management to grant stock options

The General Meeting, acting under the quorum and majority requirements for Extraordinary General Meetings, having reviewed the Executive Management's report, the Statutory Auditors' special report, and the Supervisory Board's report:

1) resolves to authorise Executive Management, pursuant to Articles L. 225-177 to L. 225-186-1 of the French Commercial Code (*Code de commerce*), to grant, within the limits of the legislation in force:

- ◆ on one or more occasions;
- ◆ to employees and Executive Corporate Officers, or to some or certain categories thereof, of Hermès International and of companies or groups linked thereto pursuant to the conditions referred to in Article L. 225-180 of the French Commercial Code (*Code de commerce*), options entitling the bearers to purchase Hermès International shares acquired by the Company under legal conditions.

2) confirms that, pursuant to Article L. 233-32 of the French Commercial Code (*Code de commerce*), this delegation may be implemented during a public offering on the shares of the Company:

- ◆ the period during which Executive Management may use this authorisation, at the time(s) it deems appropriate, is set at 38 months from the date of this meeting;
- ◆ the total number of stock options that may be granted pursuant to this authorisation may not be such that the number of stock options awarded in respect of this resolution and the number of free shares awarded under the nineteenth resolution represent a number of shares greater than 2% of the total number of ordinary shares of the Company existing at the time the options are granted, without taking into account:
 - those already allocated pursuant to previous authorizations,
 - those not definitively granted at the end of the vesting period provided for in the sixth paragraph of Article L. 225-197-1 of the French Commercial Code (*Code de commerce*),
 - those no longer subject to the retention period provided for in the seventh paragraph of Article L. 225-197-1 of the French Commercial Code (*Code de commerce*).
- ◆ the stock options may be exercised by the beneficiaries within a maximum period of seven years from their grant date,
- ◆ the purchase price of the shares shall be set by Executive Management within the limits and according to the procedures specified in Articles L. 225-177 paragraph 4 and L. 225-179 paragraph 2 of the French Commercial Code (*Code de commerce*) and shall be at least equal to 80% of the average of the prices quoted on the Euronext Paris regulated 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 by the Company in respect of purchases made under the conditions provided for in Articles L. 225-208 and L. 225-209 of said code,

- ◆ to this end, the General Meeting gives the broadest of powers to the Executive Management, within the limits set above, for the purpose of implementing this resolution, and in particular:
 - to determine the terms of the operation, specifically the conditions under which the stock options will be granted, the period(s) during which the options may be granted and exercised, the list of beneficiaries of the stock options and the number of shares that each one may acquire,
 - to set the conditions under which the options may be exercised,
 - where applicable, to stipulate a period of non-transferability and/or prohibition of conversion to bearer form of shares arising from the exercise of stock options, on the understanding that the period of non-transferability cannot exceed three years from the stock option exercise date,
 - to schedule the ability to temporarily suspend the exercise of options for a maximum period of three months in the event of financial transactions that involve the exercise of a right attached to the shares,
- ◆ in the event one or more Executive Chairmen are granted stock options:
 - resolves that the Executive Management must ensure that the Company meets one or more of the conditions specified in Article L. 225-186-1 of the French Commercial Code (*Code de commerce*) and must take all appropriate measures to this end,
 - resolves that the Supervisory Board must ensure that the stock options may not be exercised before the relevant Executive Chairmen cease their duties, or must set a number of shares resulting from the exercise of stock options to be kept in registered form until the termination of their duties,
 - resolves that, in accordance with the Afep-Medef Corporate Governance Code, to which the Company refers:
 - the exercise price of the options will not include any discount,
 - the options granted will be subject to demanding performance conditions to be met over several consecutive years and defined at the time of their granting,
 - 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 sub-limit being offset against the 2% ceiling common to the delegations granted under the eighteenth and nineteenth resolutions,
- ◆ if, during the period during the option grant period, the Company conducts one of the transactions provided for by Article L. 225-181 of the French Commercial Code (*Code de commerce*) or by Article R. 225-138 of the same code, under regulatory conditions and to take into account the impact of this transaction, the Company will take those measures necessary to protect the interests of the beneficiaries, including, if necessary, by adjusting the number and price of the shares that may be obtained by exercising the options granted to the beneficiaries,
- ◆ each year, the Executive Management will notify the Ordinary General Meeting of the transactions conducted in connection with this delegation.

NINETEENTH RESOLUTION: ALLOCATION OF FREE SHARES

Purpose

By the 19th resolution, we recommend that you renew the authorisation granted to the Executive Management to grant free existing ordinary shares in the Company.

The Company would like to renew this authorisation because it is part of the Group's long-term compensation policy, which aims to share the benefits of growth with employees and enable them to identify more closely with the growth decisions taken by Hermès in the long term. The employee shareholding plans were implemented several years ago (the first dates back to 1993), making it possible to recognise the contribution of employees to the House's development, regardless of their role and geographical location. They also serve to increase attractiveness, motivation and loyalty, in order to align beneficiaries' interests with those of the Company and its stakeholders.

The total number of free shares that may be granted pursuant to this authorisation and the total number of shares to which stock options may grant entitlement pursuant to the 18th resolution and not yet exercised may not represent a number of shares greater than 2% of the number of ordinary shares of the Company on the day of said grant, without taking into account:

- ◆ those already allocated pursuant to previous authorisations;
- ◆ those not definitively allocated at the end of the vesting period provided for in the sixth paragraph of Article L. 225-197-1, I of the French Commercial Code (*Code de commerce*);
- ◆ those no longer subject to the retention period provided for in the seventh paragraph of Article L. 225-197-1, I of the French Commercial Code (*Code de commerce*).

The total number of free shares allocated must also respect the maximum limit authorised in Article L. 225-197-1 of the French Commercial Code (*Code de commerce*) and, more generally, by applicable laws.

The vesting period for free shares may not be less than two years, and the Executive Management is authorised to reduce the vesting period to one year if the share allocation is subject to a mandatory retention period of a minimum duration of one year. The mandatory retention period for shares may not be less than one year, and the Executive Management is authorised to reduce or remove it, under the conditions and limits provided for by the law in force on the date of the grant decision, except for the special cases set out in the resolution.

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. As is the case for stock options, in the event that one or more Executive Chairmen are granted free shares:

- 1) the Company must meet one or more of the conditions specified in Article L. 225-197-6 of the French Commercial Code (*Code de commerce*), i.e.:
 - ◆ either grant free shares to all of the Company's employees and to at least 90% of the employees of its French subsidiaries, or
 - ◆ allocate stock options to the employees referred to above, or
 - ◆ provide the above employees with a unilateral matching contribution to the company savings plan, or
 - ◆ enhance (or set up if necessary) arrangements for profit-sharing and/or incentive schemes for employees of the Company and its subsidiaries;
- 2) in accordance with the provisions of Article L. 225-197-1, II of the French Commercial Code (*Code de commerce*), the Supervisory Board must ensure that the shares granted cannot be sold before the Executive Chairmen cease their duties, or must set a quantity of these shares that must be kept in registered form until the cessation of their duties;
- 3) in addition, in accordance with the Afep-Medef Corporate Governance Code, to which the Company refers:
 - ◆ the free shares granted will be subject to demanding performance conditions to be met over several years and defined at the time of their granting,
 - ◆ the maximum percentage of free shares that may be granted is 0.05%, this sub-limit being offset against the 2% ceiling common to the delegations under the 18th and 19th resolutions.

This authorisation would be valid for 38 months from the date of the General Meeting.

The Statutory Auditors' report on the 19th resolution is presented on page 444.

Nineteenth resolution:

Authorisation to be given to the Executive Management to grant free existing shares

The General Meeting, acting under the quorum and majority requirements for Extraordinary General Meetings, having reviewed the Executive Management's report, the Statutory Auditors' report, and the Supervisory Board's report, prepared in accordance with Articles L. 225-197-1 et seq. of the French Commercial Code (*Code de commerce*):

- 1) authorises the Executive Management to carry out, on one or more occasions, in favour of employees and/or Corporate Officers of the Company and companies or groups linked thereto pursuant to the conditions referred to in Article L. 225-197-2 of the French Commercial Code (*Code de commerce*), or to some or certain categories thereof, free allocations of existing ordinary shares in the Company. The existing shares that may be granted pursuant to this resolution must be acquired by the Company as part of the share buyback programme authorised by the sixth resolution under Article L. 225-209 of the French Commercial Code (*Code de commerce*), or any share buyback programme applicable previously or subsequently;
- 2) resolves that the Executive Management shall determine the identity of the beneficiaries or categories of beneficiaries of the allocations, and the conditions of such allocations and, if applicable, the criteria for allocating shares;
- 3) resolves that the Executive Management shall set, within the legal conditions and limits, the dates on which the allocations of free shares will be made;
- 4) resolves that the total number of free ordinary shares allocated pursuant to this authorisation may not be such that the total number of free shares allocated in respect of this resolution and the total number of shares to which stock options granted pursuant to the eighteenth resolution and not yet exercised grant entitlement, represent a number of shares greater than 2% of the number of ordinary shares of the Company on the date of said allocation of free shares, without taking into account:
 - ♦ those already allocated pursuant to authorisations granted by previous General Meetings,
 - ♦ those not definitively allocated at the end of the vesting period provided for in the sixth paragraph of Article L. 225-197-1 of the French Commercial Code (*Code de commerce*),
 - ♦ those no longer subject to the retention period provided for in the seventh paragraph of Article L. 225-197-1, I of the French Commercial Code (*Code de commerce*);
- 5) resolves that upon each allocation, the Executive Management shall set the vesting period after which the ordinary share allocation becomes final, where said period may not be less than one year; however, in the event of the beneficiary's death, their heirs may request the allocation of shares within six months of said death, subject, where applicable, to the fulfilment of performance conditions; furthermore, in the event of the beneficiary's Category 2 or 3 disability as provided for in Article L. 341-4 of the French Social Security Code and resulting in the cessation of all professional activity, the beneficiary may request the allocation of their shares before the end of this period, subject, where applicable, to the fulfilment of performance conditions;
- 6) resolves that upon each allocation, the Executive Management shall, in principle, set a retention period for the shares by the beneficiaries, which will start upon final vesting of the ordinary shares and may not be less than one year, though the Executive Management may be authorised to reduce or remove said retention period, under the conditions and limits provided for by the law in force on the date of the allocation decision; however, the shares shall be freely transferable in the event of the death of the beneficiary, and in the event of their Category 2 or 3 disability as provided for under Article L. 341-4 of the French Social Security Code;
- 7) authorises the Executive Management, where appropriate, to set the conditions and criteria for share allocations, such as, without the following list being exhaustive, seniority conditions, conditions relating to the continuation of the employment contract or corporate office during the vesting period, and any other financial, individual, or collective performance conditions;
- 8) authorises the Executive Management to register the free shares allocated in a registered account in the name of their holder, stating, where appropriate, that the shares are unavailable;
- 9) authorises the Executive Management, where appropriate, during the vesting period of the shares allocated, to make any adjustments in order to take into account the impact of transactions on the Company's capital, specifically to determine the conditions pursuant to which the number of ordinary shares allocated shall be adjusted;
- 10) confirms that, pursuant to Article L. 233-32 of the French Commercial Code (*Code de commerce*), this delegation may be implemented during a public offering on the shares of the Company;
- 11) more generally, confers the broadest of powers to the Executive Management, with the option to sub-delegate under the legal conditions, so as to conclude all agreements, draw up all documents, carry out all formalities and make all declarations with all bodies and, more generally, do whatever is otherwise necessary:
 - ♦ the period during which the Executive Management may use this authorisation, on one or more occasions, is set at 38 months from the date of this meeting,
 - ♦ in the event one or more Executive Chairmen are allocated free shares:
 - resolves that the Executive Management must ensure that the Company meets one or more of the conditions specified in Article L. 225-197-6 of the French Commercial Code (*Code de commerce*) and must take all appropriate measures to this end,
 - resolves that the Supervisory Board must ensure that the shares allocated cannot be sold before the Executive Chairmen cease their duties, or must set a number of these shares which must be kept in registered form until the termination of their duties,

- resolves that, in accordance with the Afep-Medef Corporate Governance Code of June 2018, to which the Company refers:
 - the free shares allocated will be subject to demanding performance conditions to be met over several consecutive years defined at the time of issuance,
 - the maximum percentage of free shares that may be allocated to the Executive Chairmen under this resolution shall be 0.05%, this
- ♦ sub-limit being offset against the 2% limit common to the delegations granted in the eighteenth and nineteenth resolutions,
- ♦ each year, the Executive Management will notify the Ordinary General Meeting of the allocations made under this resolution under the legal conditions, and specifically Article L. 225-197-4 of the French Commercial Code (*Code de commerce*).

TWENTIETH RESOLUTION: AMENDMENTS TO THE ARTICLES OF ASSOCIATION

Purpose

Through the 20th resolution, we ask you to amend the Articles of Association as follows:

Amendment of Article 18.6 of the Articles of Association (number of employee representatives on the Supervisory Board)

Law No. 2019-486 of 22 May 2019 on the growth and transformation of companies (the “Pacte” law) strengthened employee representation on the Supervisory Board, by lowering the thresholds for the composition of boards provided for by the Rebsamen law of 17 August 2015. Pursuant to Article L. 225-79-2 of the French Commercial Code (*Code de commerce*), partnerships limited by shares (*sociétés en commandite par actions*) – are now required to appoint two employee representatives to the Supervisory Board when the latter is composed of more than eight members (versus 12 before the Pacte law).

We thus ask you to amend Article 18.6 of the Company’s Articles of Association to comply with these new provisions.

We also point out that the Company is already in compliance with this obligation, given that when the term of office of Mr Frédéric Afriat, employee representative on the Supervisory Board, expired on 8 November 2019, the Group Works Council was asked to appoint two new members, without waiting for the amendment to Article 18.6 of the Articles of Association, and respecting gender parity. The two new Supervisory Board members representing employees were appointed on 12 November 2019 (Ms Pureza Cardoso and Mr Rémy Kroll). Further information on these new members is available on pages 225 and 232 of the 2019 Universal registration document.

Amendment of Article 22 of the Articles of Association (compensation of Supervisory Board members)

The Pacte law amended Article L. 225-83 of the French Commercial Code by deleting the term “directors’ fees”.

We thus ask you to amend Article 22 of the Articles of Association to take account of this change.

Twentieth resolution:

Amendment to Articles 18.6 (number of Supervisory Board members representing employees) and 22 (compensation of Supervisory Board members) of the Company's Articles of Association

The General Meeting, acting under the quorum and majority requirements for Extraordinary General Meetings, having reviewed the Executive Management’s report and the Supervisory Board’s report, resolves to amend the wording of Articles 18.6 and 22 of the Articles of Association as follows:

Article 18 – SUPERVISORY BOARD

- Paragraph 18.6 now reads as follows (added words are underlined and in bold, deleted words are struck through):

“18.6 - Where the provisions of Article L. 225-79-2 of the Commercial Code are applicable to the Company, one or more members, natural persons, representing the Group’s employees must be appointed under the conditions set by the above-mentioned article. When the Supervisory Board consists of 13 and more members (not including the employee representatives), a second natural member representing the Group’s employees must be appointed.

The number of Supervisory Board members taken into account, when determining the number of Supervisory Board members representing the employees is assessed on the date of appointment of the employee representatives to the Board. Neither the Supervisory Board members elected by the employees under Article L. 225-27 of the Commercial Code, nor the employee shareholder Supervisory Board members appointed in accordance with Article L. 225-23 of the Commercial Code are therefore taken into account.

The term of office for employee representative Supervisory Board members will be as indicated in Article 18.2 of the present Articles of Association.

A reduction ~~to 12 or fewer than twelve~~ **to the number of** Supervisory Board members, **within the framework of the application of the provisions of Article L. 225-79-2 of the Commercial Code**, will have no effect on the term of all Supervisory Board members representing the employees that will come to an end upon its normal expiry.

The Supervisory Board members representing the employees are appointed by the Company’s Group Committee. The Supervisory Board members representing the employees must, at least two years beforehand, have signed an employment contract with the Company or one of its direct or indirect subsidiaries having its registered office in France or abroad. Notwithstanding the rule contained in Article 18.1 of the present Articles of Association, the Supervisory Board members representing the employees are not required to be shareholders.”

The rest of the Article remains unchanged.

Article 22: COMPENSATION OF THE SUPERVISORY BOARD

This Article now reads as follows (added words are underlined and in bold, deleted words are struck through):

“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 the Meeting.

The Board apportions ~~such directors’ fees~~ **this compensation** among its members as it sees fit.”

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 REPORT TO THE COMBINED GENERAL MEETING OF 24 APRIL 2020

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 2019.

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 balance sheet 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 2019. We issue a favourable opinion on the approval of the financial statements.

2. ALLOCATION OF NET INCOME

On 25 February 2020, the Executive Management decided to pay an interim dividend of €1.50 per share. This interim dividend was paid on 5 March 2020.

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 €5.00 per share.

After deduction of the interim dividend, the balance of €3.50 per share will be detached on 28 April 2020 and paid on 30 April 2020, based on the positions approved on 29 April 2020.

3. RELATED-PARTY AGREEMENTS

Since no related-party agreements requiring the authorisation of the Supervisory Board were concluded in 2019, you are notified that there are none to approve.

The agreements approved previously by the General Meeting are presented in the Statutory Auditors' special report on the agreements 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 440 and 441. None of these agreements changed significantly with respect to amounts or financial terms in 2019.

You are reminded that the allowances or benefits due or likely to be due as a result of a change or cessation of office by an Executive Officer, or subsequent to them, and the defined-benefit pension plan commitments of the dissociated Chairman and Executive Officers are no longer subject to the enhanced related-party agreements scheme (Article L. 225-42-1 of the French Commercial Code (*Code de commerce*), having been repealed by order no. 2019-1234 of 27 November 2019).

The agreement on trademark licenses was revised, effective from 1 January 2019. This revision resulted in the declassification of the agreement, as it no longer met the criteria to be considered a related-party agreement due to a change in circumstances.

No other agreement was declassified in 2019.

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 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 General Meetings of shareholders 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 2019, the Board had no comments to make.

In addition, pursuant to law No. 2019-486 of 22 May 2019 relating to the growth and transformation of companies (the "Pacte" law), the company is now obliged to implement a procedure to regularly assess whether agreements relating to usual transactions, concluded under normal conditions, meet these conditions.

This procedure, which applies only to Hermès International and not to its subsidiaries, was approved by the Supervisory Board on 25 February 2020. Its purpose is to enable Hermès International to periodically assess the appropriateness of the classification used for ongoing agreements entered into during the financial year, those that continue over several years, and any agreements that are modified.

The description of this procedure and its implementation are given in the Supervisory Board's corporate governance report on page 276.

4. ACTIVITY OF THE SUPERVISORY BOARD

The Supervisory Board's 2019 activity is presented on pages 244 to 246 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 427 to renew for the three-year term, pursuant to the Articles of Association, the expiring mandates of:

- ◆ Ms Dorothee Altmayer;
- ◆ Ms Monique Cohen;
- ◆ Mr Renaud Momméja; and
- ◆ Mr Éric de Seynes.

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 pages 236 et seq. of the Supervisory Board's corporate governance report.

6. RECOMMENDATIONS ON DRAFT RESOLUTIONS SUBMITTED TO THE COMBINED GENERAL MEETING OF 24 APRIL 2020

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 pages 369 et seq.

8.4.2 STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

The report is on pages 344 et seq.

8.4.3 STATUTORY AUDITORS' SPECIAL REPORT ON RELATED-PARTY AGREEMENTS

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 2019

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.

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 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. It is your responsibility, pursuant to the provisions of Article R. 226-2 of the French Commercial Code (*Code de commerce*), to consider the value of the conclusion of these agreements 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 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 submitted for the approval of the General Meeting

Agreements and commitments authorised and concluded during the financial year ended

We hereby inform you that we have not been advised of any agreement or commitment authorized and entered into during the financial year ended to be submitted for the approval of the General Meeting, pursuant to the provisions of Article L. 226-10 of the French Commercial Code (*Code de commerce*).

Agreements already approved by the General Meeting

Agreements 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, approved by the General Meeting in previous years, continued during the financial year ended.

1) Service provision agreement with Émile Hermès SARL

Person concerned

Émile 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 Émile 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 2019, invoicing for these services amounted to €234,612.

2) Service provision agreement with Studio des Fleurs

Person concerned

Mr Frédéric Dumas, member of the Executive Management Board of Émile 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 prior notice for termination (18 months);
- ♦ no exclusivity;
- ♦ undertaking by 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 2019, invoicing for these services amounted to €3,204,681.

3) Service provision agreement 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 financial year 2019, invoicing for these services amounted to €62,567.

4) 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 Executive Management Board of Emile Hermès SARL, Executive Chairman of Hermès International.

Nature, purpose and conditions

In its meetings of 7 July and 13 September 2017, your Supervisory Board authorised a new framework agreement between your company and all the companies that it controls either directly or indirectly, and RDAI, defining the outline of RDAI's assignment for the exclusive application of the architectural Concept in Hermès projects.

For 2019, invoicing your company for these services amounted to €79,889.

b) not executed during the past financial year

We have also been informed of the continuation of the following agreements, already approved by the General Meeting in previous financial years, which were not executed during the past financial year.

5) Design mission agreement with the RDAI architecture studio

Person concerned

Ms Sandrine Brekke, partner with a more than 10% holding in RDAI and a member of the Executive Management Board of Émile 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 2019.

Neuilly-sur-Seine, 4 March 2020

The Statutory Auditors

PricewaterhouseCoopers Audit

Didier Kling & Associés
A member of Grant Thornton

Olivier Auberty

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 pages 186 et seq.

8.4.5 STATUTORY AUDITORS' REPORT ON THE CAPITAL REDUCTION BY THE CANCELLATION OF SHARES PURCHASED (SEVENTEENTH 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 24 April 2020

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 24 months with effect from the date of this Meeting, to cancel, up to a maximum of 10% of the share capital per 24-month period, the shares 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, 4 March 2020

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 AUTHORISATION TO GRANT STOCK OPTIONS (EIGHTEENTH 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,

In our capacity as Statutory Auditors of your company, and pursuant to the mission provided for by Articles L. 225-177 and R. 225-144 of the French Commercial Code (*Code de commerce*), we present our report on the authorisation to grant stock options in favour of the employees and Corporate Officers of Hermès International and of those companies or groups related to it pursuant to the conditions referred to in Article L. 225-180 of the French Commercial Code (*Code de commerce*), being an operation on which you are asked to make a decision.

The Executive Management proposes that, on the basis of its report, you authorise it, for a period of thirty-eight months as of the date of this Meeting, to grant stock options on one or more occasions. The total number of options that can be granted under this authorisation may not be such that the number of stock options granted under this resolution and the number of free shares granted under the nineteenth resolution represent more than 2% of the Company's number of ordinary shares when the options are granted, without taking into account:

- ◆ those already granted under previous authorisations,
- ◆ those that have not been definitively allocated at the end of the vesting period provided for in Article L. 225-197-1, paragraph 6 of the French Commercial Code (*Code de commerce*),
- ◆ those that are no longer subject to the retention requirement provided for in Article L. 225-197-1, paragraph 7 of the French Commercial Code (*Code de commerce*).

It is the responsibility of the Executive Management to draw up a report on the reasons behind the granting of stock options, and on the methods put forward to set the purchase price. It is our responsibility to issue an opinion on the methods proposed for setting the purchase price of the shares. 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 specifically consisted of checking that the methods proposed to set the purchase price of the shares are specified in the Executive Management's report and that these comply with the provisions of the legislation and regulations. We have no comment to make on the methods proposed for setting the purchase price of the shares.

Neuilly-sur-Seine, 4 March 2020
The Statutory Auditors

PricewaterhouseCoopers Audit

Olivier Auberty

Didier Kling & Associés
Member of Grant Thornton

Vincent Frambourt

Guillaume Giné

8.4.7 STATUTORY AUDITORS' REPORT ON THE AUTHORIZATION TO ALLOCATE FREE EXISTING SHARES (NINETEENTH 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,

In our capacity as Statutory Auditors of your company, and pursuant to the mission provided for by Articles L. 225-197-1 of the French Commercial Code (*Code de commerce*), we present our report on the authorisation to allocate free existing shares in favour of the employees and/or Corporate Officers of your company and of those companies or groups related to it pursuant to the conditions referred to in Article L. 225-197-2 of the French Commercial Code (*Code de commerce*), or to some or certain categories thereof, being an operation on which you are asked to make a decision.

Your Executive Management recommends, based on its report, that for a period of thirty-eight months from the date of this meeting, you authorise it to allocate free existing shares, on one or more occasions. The maximum percentage of free shares that may be allocated to the Executive Chairmen under this resolution shall be 0.05% of the share

capital, this sub-limit being offset against the 2% limit common to the delegations granted in the eighteenth and nineteenth resolutions.

It is the responsibility of Executive Management to draw up a report on this operation which it wishes to perform. It is our responsibility to notify you, where appropriate, of our comments on the information provided to you in connection with the proposed operation. 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 specifically consisted of checking that the methods proposed and set out in the Executive Management's report fall within the framework of provisions laid down by law. We have no comments to make as regards the information given in the Executive Management's report relating to the proposed operation to authorise the allocation of free shares.

Neuilly-sur-Seine, 4 March 2020
The Statutory Auditors

PricewaterhouseCoopers Audit

Olivier Auberty

Didier Kling & Associés
A member of Grant Thornton

Vincent Frambourt

Guillaume Giné

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ADDITIONAL INFORMATION

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AFR 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 Universal 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 balance sheet and results of the Company and all the undertakings included in the consolidation, and the Executive Management's report items, of which are listed on pages 451 and 452 (Reconciliation with management report) presents a fair view of the development and performance of the business operations, results and balance sheet of the Company and all the undertakings included in the consolidation, and 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 balance sheet and accounting information provided in this document and that they have read the document in its entirety.

Paris, 25 March 2020
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: Ordinary 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 Compagnie Régionale des Commissaires aux Comptes de Versailles.

29, rue du Pont

92200 Neuilly-sur-Seine

Member of the Grant Thornton France and Grant Thornton International networks represented by: Messrs Vincent Frambourt and Guillaume Giné.

First appointed: Ordinary 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 <https://finance.hermes.com>. 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 19 of Regulation (EU) No. 2017/1129 of 14 June 2017, this Universal registration document incorporates by reference the following information, to which the reader is invited to refer:

- ♦ 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;

- ♦ in respect of the year ended 31 December 2018: 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 10 April 2019 under reference number D19-0301, on pages 237 to 293 and 295 to 325.

Information included in these two registration documents, other than the information referred to above, has been replaced and/or updated, where appropriate, by the information contained in this Universal registration document. Copies of this Universal registration document are available as described on pages 404 and 449.

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
351-368	Hermès International annual financial statements
292-343	Hermès Group consolidated financial statements
	Executive Management's report (refer to cross-reference table of the management report)
448	Responsibility statement for the annual financial report
369-372	Statutory Auditors' report on the annual financial statements
344-348	Statutory Auditors' report on the consolidated financial statements
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9.5.2 CROSS-REFERENCE TABLE FOR THE MANAGEMENT REPORT

(Articles L. 225-100 et seq., L. 232-I, II and R. 225-102 of the French Commercial Code (*Code de commerce*))

Page	Heading
	Group situation and activity in 2019 / Comments on the financial year
6-7; 20-34; 290-291	Company situation and activity during the past financial year
294-295	Foreseeable developments of the Company and its outlook
290-291	Progress made or difficulties encountered
39; 313	Important events between the closing date of the financial year and the date the report is established
52	Company research and development activities
293	Existing branches
6-7; 290-291	Analysis of the progression in activity, earnings and balance sheet of the company, in particular its debt situation with regard to the volume and complexity of its business
16-17; 74-187	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
36; 292; 366	Activity of the Company's subsidiaries and companies under its control
293	Significant equity investments in companies based in France or the takeover of such companies
n/a	Notice given to another joint-stock company in which the Company holds more than 10% of its capital
n/a	Disposals of shares arising from the effect of regulating cross-shareholdings
	Risk factors/Internal control and risk management procedures
40-58	Description of main risks and uncertainties the Company faces
56-57; 326-333 (note 25)	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
53; 122-138	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
56-57; 326-333 (note 25)	Information regarding interest rate risk, foreign exchange risk and risk on equities and other financial instruments
64-65	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
	Vigilance plan
51; 53-54; 153-159; 180-183	The vigilance plan helps to identify risks and prevent serious breaches of human rights and fundamental freedoms, 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
180-183	Reporting of the effective implementation of the vigilance plan
	Information regarding social, environmental and societal commitments
	Statement of non-financial performance (refer to the cross-reference table of the Statement of non-financial performance)
	Information regarding the share capital
388-392	Breakdown of and changes in the share capital
390	Information regarding treasury shares
395-396	Summary of transactions carried out on their securities by senior executives, senior managers or persons with which 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
391-392	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
392-394	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
	Other information
367; 412	Amount of dividends distributed over the last three years, and amount of distributed income eligible and ineligible for deductions, broken down by share class
293	Amount of loans of maturity 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
292; 368	Information regarding supplier and customer payment dates of the Company whose annual financial statements are certified by a Statutory Auditor
	Documents attached to the management's report
367	Table of the Company's results during each of the last five financial years
277-278	Executive Management's report on the use of a delegation of authority or a delegation of powers of the General Meeting
	Other documents
437-438	Report of the Supervisory Board to the Combined General Meeting of 24 April 2020
n/a	Executive Management's 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

(Article L. 226-10-1 of the French Commercial Code (*Code de commerce*))

Page	Heading
196-208	Methods of implementing Group management
199-202; 215-235	Offices and positions held in any Company by each Corporate Officer during the past financial year
259-261; 339; 413; 437; 440-441	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
276	Procedure implemented by the Company to regularly assess the nature of ordinary and regulated agreements
277-278	Summary table of delegations of authority and powers granted by the General Meeting to Executive Management with respect to capital increases
254-264	Compensation policy for Corporate Officers
264-275	Total compensation and benefits of any kind for each Corporate Officer paid or awarded during the past financial year
259-261 ; 264-265; 417-424	Commitments of any kind made by the Company benefiting its Corporate Officers
266-267	Equity ratio
276-277	Information on factors liable to affect the outcome of a public offering
209-253	Composition and conditions governing the preparation and organisation of Supervisory Board's work
236-240	Application of the principle of balanced gender representation on the Board and description of the diversity policy applied within the Board
203-205	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
194-195	Provisions of the Afep-Medef Corporate Governance Code revised in January 2020 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
276	Description of the procedure implemented by the Company in accordance with Article L. 225-39 paragraph 2 of the French Commercial Code (<i>Code de commerce</i>) and its enforcement

9.5.4 CROSS-REFERENCE TABLE FOR THE UNIVERSAL REGISTRATION DOCUMENT

The following table cross-references this document with the main headings required under Appendices 1 and 2 of Delegated Regulation (EU) No. 2019/980 of 14 March 2019 supplementing Regulation (EU) No. 2017/1129 of 14 June 2017.

Items that are not applicable to Hermès International are marked “n/a”.

Page	Headings in Annexes 1 and 2 of Delegated Regulation (EU) No. 2019/980 of 14 March 2019
448	1. Persons responsible, third party information, experts' reports and competent authority approval
449	2. Statutory Auditors
40-65	3. Risk factors
11-14; 377-378	4. Information concerning Hermès International
	5. Overview of activities
20-28	5.1 Principal activities
28-33	5.2 Principal markets
6 -7	5.3 Important events in the development of the issuer's business
18-19; 294-295	5.4 Strategy and objectives
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11	5.6 Competitive position
16-17; 291	5.7 Investments
	6. Organisational structure
35	6.1 Brief description and organisational chart for the Group
342-343; 366	6.2 List of significant subsidiaries
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291	7.1 Financial condition
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16; 299-300; 308-311; 324-325; 353- 354; 388-392	8.1 Information on capital
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330-331	8.3 Borrowing requirements and funding structure
n/a	8.4 Restrictions on the use of capital
16-17; 325-326	8.5 Expected sources of funds
51; 58; 81-93; 122-123; 174-186	9. Regulatory environment
294-295	10. Information regarding trends
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Page	Heading	Chapter	Chapter
71	Business model		2.1
	Identification of the main issues, policies, measures implemented and results		
81	People: teams	well-being and development of employees	2.2.1
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137; 145; 170		Livelihoods	2.5.2.2; 2.5.4.2; 2.7.2.3
133		Use of renewable energies	2.5.1.2
116	Circular economy	Manage materials sparingly throughout their life cycle, reduce waste	2.4.2
112	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.	

Page	Heading	Chapter	Chapter
	Respect for responsible, fair and sustainable food	In view of the Group's activities, this subject has not been identified as a CSR risk.	
	Respect for human rights		
79		Membership of the Global Compact	2.1
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9.6 GLOSSARY

Active Partners

See “*Société en commandite par actions*” (Partnership Limited by Shares).

Adjusted free cash flow

Adjusted free cash flow is the sum of cash flows related to operating activities, less operating investments and the repayment of lease liabilities, in accordance with the IFRS statement of cash flows.

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 and updated on a regular basis.

Articles of Association

The Articles of Association are a deed of incorporation of a company which defines 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 compensation, appointments, governance, and corporate social responsibility.

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.

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.

Consensus

This is the mean value of forecasts made by analysts.

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 balance sheet 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 Board and its specialised committees, Executive Committee, etc.) put in place to oversee the management of a publicly-traded company.

CSR

Social and environmental responsibility

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 fully-paid registered Hermès International share which has been duly recorded on the books in the name of the same shareholder for a period of at least four years, and from the date of the first General Meeting following the fourth anniversary of the date when the share was registered on the books; 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.

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.

"Epargne Info Service" 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>.

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.

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.

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 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.

HSE

Health, Safety and Environment.

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 forth coming dividend.

Investments

Companies in which your company does not own, directly or indirectly, more than 50% of the share capital.

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 Board 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 Board 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 Board 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 alpha-numeric 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 Senior Executives 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 Universal 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 cash position IFRS

The net cash position under IFRS does not include lease liabilities recognised in accordance with IFRS 16 on leases.

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 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.

Preemptive rights

Tradable right, detached from each existing share, enabling existing shareholders to purchase new shares or securities giving access to the share capital in an offering before the general public has the opportunity to do so, or to obtain, by selling their rights, an amount equivalent to the notional reduction in the value of their shares that would arise from the new issue.

Priority right/Priority period

In return for the cancellation of Preemptive rights, the Executive Management may introduce a priority right, which may be Pro-rated. Priority right, like Priority subscription right, enables existing shareholders to subscribe to the proposed issue in proportion to the number of shares they currently hold. However, unlike Preemptive right, priority right is (i) exercisable within a priority period (in practice, at least 5 trading sessions) shorter than the period allowed for Preemptive right and (ii) not tradable.

Pro-rated (subscription rights)

In some cases, the Executive Management may introduce Pro-rated subscription rights in favor of existing shareholders. This means that if irreducible subscriptions (i.e. subscriptions by shareholders exercising Preemptive Rights) fail to entirely absorb the capital increase, the unsubscribed shares would be allocated to those shareholders who made an application for additional shares on a Pro-rated basis (over and above the entitlement given by their Preemptive Rights) in proportion to their subscription rights, though the number of shares allocated to each shareholder may not exceed the number of shares applied for by that shareholder.

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 main performance indicators monitored by the Group's management. It excludes non-recurring items having a significant impact that could affect understanding of the Group's economic performance.

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 position

Restated net cash includes cash investments that do not meet IFRS criteria for cash equivalents 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.

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.

Subsidiaries

Companies in which your company owns, directly or indirectly, more than 50% of the capital.

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.

Universal registration document

A document about an issuer containing all legal, financial and accounting information, but also information about the activities and the shareholding as well as a description of the issuer for a given financial year. While this document is optional, most large listed companies prepare a Universal registration document.

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(s), 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, Articles of Association, etc.), or documents and communications issued by the Company (notice of meeting, Universal registration document, financial disclosures, etc.).

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