



AUDIT AND RISK COMMITTEE RULES OF PROCEDURE

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These rules of procedure are reviewed on a regular basis to adapt them to legislative and regulatory changes and to take into account the recommendations of the French Financial Markets Authority (*Autorité des marchés financiers*) and the revisions of the Afep-Medef Code.

This document is a free translation into English of the “Règlement intérieur du Comité des rémunérations, des nominations, de la gouvernance et de la RSE”, originally prepared in French, and has no other value than an informative one. Should there be any difference between the French and the English version, only the French language version shall be deemed authentic and considered as expressing the exact information published by Hermès.



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PREAMBLE

The Audit and Risk Committee of Hermès International is a specialized committee of the Supervisory Board.

It was created on 26 January 2005 and the Supervisory Board has progressively decided to assign it new duties and responsibilities and to rename it subsequently as follows:

26 January 2005	Audit Committee
19 March 2019	Audit and Risk Committee

These rules of procedure define the composition, duties and terms and conditions of the structure and workings of the Audit and Risk Committee of Hermès International which acts under the collective and exclusive responsibility of the Supervisory Board.

Its purpose is to enhance the quality of the Audit and Risk Committee's work by promoting the application of good corporate governance principles and best practices, in the interests of ethics and greater effectiveness.

1. THE AUDIT AND RISK COMMITTEE, A COMMITTEE ACTING UNDER THE AUTHORITY OF THE SUPERVISORY BOARD

1.1. Role and responsibilities of the Audit and Risk Committee

The Audit and Risk Committee acts under the collective and exclusive responsibility of the Supervisory Board and has a role of reflection, analysis and preparation of certain deliberations of the Supervisory Board and submits its opinions, proposals or recommendations to the Board.

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:

1.1.1. Responsibilities with regard to preparing accounting and financial information

- examine the Group's budgets in a final summary before presentation to the Supervisory Board in order to understand and validate the strategy underlying them.
- review and comment on the parent company and consolidated financial statements before they are approved by Executive Management and presented to the Supervisory Board;
- review annual and half-yearly results press releases;
- review significant off-balance sheet commitments;
- ascertain that the accounting methods applied are relevant and consistent;
- verify that internal data collection and control procedures guarantee the quality of the information provided;
- review the work programme and results of internal and external audit assignments;
 - o monitor the process of preparing financial information and, where appropriate, make recommendations to ensure its integrity;
 - o 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.



1.1.2. Responsibilities 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 Statutory Auditors proposed for appointment or renewal by the General Meeting;
- monitor the Statutory Auditors' performance of their duties in light of the High Commission on Statutory Audit's remarks and conclusions following audits conducted in accordance with Articles L. 821-9 et seq. of the French Commercial Code;
- ensure the Statutory Auditors' compliance with the independence requirements set out in Articles L. 821-9 et seq. of the French Commercial Code, take the necessary measures to apply Article 4 par. 3 of Regulation (EU) no. 537/2014 cited above, and ensure compliance with the conditions mentioned in Article 6 of said Regulation;
- approve on a case-by-case basis the provision of the services mentioned in Article L. 822-11-2 of the French Commercial Code in accordance with the following rules
 - o 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);
 - o individual services worth less than €100,000 up to a combined ceiling of €800,000 a year which are delegated to the Group finance department;
 - o the approval of the Audit and Risk Committee is required for services beyond the above thresholds;
 - o 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 audit regarding the certification of the financial statements, on the way the audit contributed to the integrity of financial and extra-financial reporting and the role it has played in this process.
- note the consensus of financial analysts on the full-year and interim results.

1.1.3. Responsibilities with regard to risk exposure and prevention of corruption

- regularly review opportunities and exposures to risks such as financial, legal, operational, social and environmental risks and the measures taken in response;
- review the company's internal control, risk management and internal audit systems.

1.1.4. Other responsibilities

- report regularly to the Supervisory Board on the performance of its duties;
- promptly inform the Supervisory Board of any difficulties encountered;
- carry out special tasks assigned to it by the Supervisory Board.

In carrying out its responsibilities the Audit and Risk Committee may conduct site visits to appraise the overall consistency of the internal control and risk management system.



1.2. Conduct of the audit and risk committee

1.2.1. Number of meetings - Duration of meetings

The Audit and Risk Committee meets as many times as necessary and at least twice a year, before annual account closure by the Executive Management and before the half-year accounts examination by the Supervisory Board.

Each meeting should be of sufficient duration to deliberate meaningfully on the items on the agenda.

As part of its duties in relation to risk exposure and prevention of corruption, a meeting dedicated to the presentation of CSR risk exposure is held annually with the NGR-CSR Committee. The purpose of this joint meeting is to strengthen coordination and sharing between the two Committees on this related topic.

1.2.2. Agenda - Convening - Minutes

The Audit and Risk Committee meets when convened by its Chair, who sets the agenda of the meeting in writing or verbally, wherever indicated in the notice of meeting.

Before each Audit and Risk Committee meeting, Audit and Risk Committee members are sent, in good time, with reasonable lead time and subject to confidentiality requirements, a file containing documentation on items on the agenda requiring prior analysis and review.

The role of secretary of the Audit and Risk Committee meetings is performed, if they are present, by the audit and risk management Director, otherwise by a member of the Audit and Risk Committee appointed as reporter by the Chair.

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

Minutes of the Audit and Risk Committee meetings are taken after each meeting and sent to all Committee members, who are invited to comment.

Meetings of the Audit and Risk Committee are reasonably held when at least half of its members participate, it being specified that members who participate in an Audit and Risk Committee meeting by way of video-conferencing or telecommunication, under the conditions stipulated for Supervisory Board meetings are deemed to be present.

Decisions of the Audit and Risk Committee are made by a majority vote of the members present. The Committee's deliberations and the information communicated to it are particularly confidential and must not be communicated outside the Supervisory Board.

1.2.3. Reports to the Supervisory Board

At the first Supervisory Board meeting following a meeting of the Audit and Risk Committee, the Chairwoman gives an oral report on the Committee's work to the members of the Board, a summary of which is then included in the minutes of the Board meeting.

The Audit and Risk Committee regularly reports in writing on its work and the performance of its responsibilities 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.

2. MEMBERS OF THE AUDIT AND RISK COMMITTEE

2.1. Composition of the Audit and Risk Committee

2.1.1. Chairmanship - Number of members

The Chair of the Audit and Risk Committee is appointed by the Supervisory Board.

If the designated person is unable to attend, the Committee shall be chaired by another of its members.

The Audit and Risk Committee is composed of at least four members of the Supervisory Board.

The Audit and Risk Committee does not include any Executive Corporate Officers.

Certain non-members of the Audit and Risk Committee – in particular the Statutory Auditors, the audit and risk management Director, the Financial Director and Executive Management – are regularly invited to Audit and Risk Committee meetings. The Audit and Risk Committee may invite senior executives from departments for specific discussions to gather whatever additional information it may need (such as Security, Legal and Information Systems, etc.).

The Executive Vice-President Corporate Development and Social Affairs systematically participates in the meetings of the Audit and Risk Committee, with the exception of one meeting dedicated to exchanges on the work carried out by the Audit and Risk Department and the resources at its disposal.

The Audit and Risk management Director is responsible for the Secretariat under the responsibility of the Chairwoman.

2.1.1. Proportion of independent members – Specific expertise in finance, accounting or statutory auditing

The proportion of members of the Audit and Risk Committee qualified as independent within the meaning of the Supervisory Board's internal rules of procedure must be at least 50% at the time of their appointment and for the entire duration of their term of office..

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.

2.1.2. 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.



2.2. Information handled by the Audit and Risk committee

The Audit and Risk Committee is entitled to all the documents it needs to carry out its responsibilities from employees of Hermès International and the Statutory Auditors among other sources. In particular, it must receive a regular summary of the work of the audit and risk management department.

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

It may, if necessary, request the intervention of an external expert to carry out additional studies.

The members of the Committee are regularly offered information on the accounting, financial and operational particularities of the Company and its developments.

2.3. Liability of the members of the Audit and Risk Committee

The members of the Audit and Risk Committee do not incur any legal liabilities in connection with their responsibilities other than those of members of the Supervisory Board.

3. SELF-ASSESSMENT OF THE AUDIT AND RISK COMMITTEE

The Audit and Risk Committee regularly assesses its performance in conjunction with the self-assessment of the Board. The members of the Audit and Risk Committee are specifically called on anonymously through a self-assessment questionnaire.

As part of this process the different areas of responsibility and commitment of the Audit and Risk Committee and its members are reviewed and assessed and any applicable recommendations for improving performance are made.

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 Supervisory Board members' fees.