



# COMPENSATION, APPOINTMENTS, GOVERNANCE AND CSR COMMITTEE RULES OF PROCEDURE

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Adopted by the Supervisory Board on March 24th, 2010

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 Compensation, Appointments, Governance and CSR Committee or « CAG-CSR 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  | 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 |

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 separate Compensation and Appointments Committees.

These rules of procedure define the composition, missions and methods of organization and operation 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. THE CAG-CSR COMMITTEE, A COMMITTEE ACTING UNDER THE AUTHORITY OF THE SUPERVISORY BOARD**

#### **1.1. Role and responsibilities of the CAG-CSR Committee**

The CAG-CSR Committee acts under the collective and exclusive responsibility of the Supervisory Board and has a role in the thought, analysis and preparation of certain deliberations of the Supervisory Board and submits its opinions, proposals or recommendations to the Supervisory Board.

Without prejudice to the powers of the Supervisory Board, which it does not replace, the responsibilities of the CAG-CSR Committee are to:

##### **1.1.1. Responsibilities with regard to compensation**

- be consulted and prepare the recommendations from the Supervisory Board to the Executive Management on the terms of compensation of Executive Committee members;
- be consulted and prepare the recommendations from the Supervisory Board to Executive Management on the terms and conditions of granting any stock options and free shares to Executive Committee members;
- prepare proposals and opinions on the total amount and distribution, particularly on the basis of attendance of Supervisory Board members, compensation and benefits awarded to members of the Supervisory Board and the committees that emanate from it ;
- review proposals for share subscription or purchase plans and granting 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 share subscription or purchase plans and granting 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 options to subscribe for or purchase shares, performance-based shares and/or additional pensions to Executive Chairmen;
  - ascertain that the compensation of the Executive Chairmen complies 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 Executive Chairmen's variable compensation;
  - 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 tasks entrusted to it by the management or supervisory bodies of the Hermès Group's main French subsidiaries.

#### **1.1.2. Responsibilities with regard to appointments**

- prepare the Board's proposals to the Active Partner concerning the composition of the Supervisory Board after having examined all the elements it must take into account in its deliberation: compliance with the diversity policy applied to the Board, research and assessment of possible candidates, 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;
- set up and participate in an induction and training programme for new Board members;
- ensure the existence of 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;
- ensure the existence of a talent succession plan, covering the members of the Executive Committee and the members of the Operations Committee.

#### **1.1.3. Responsibilities with regard to corporate governance:**

- recommend updates to corporate governance rules as needed;
- periodically verify the situation of the Supervisory Board members with regard to the independence and objectivity criteria set by the rules of procedure;
- review the composition of the specialized committees;
- oversee the annual evaluation of Supervisory Board practices;
- ascertain 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;
- prepare the Supervisory Board's report on corporate governance, with the participation of the Chairman of the Supervisory Board and the Supervisory Board Secretary and with the assistance of



the relevant functional departments.

**1.1.4. Responsibilities with respect to Corporate Social Responsibility and durability**

- assist the Supervisory Board in monitoring CRS issues and more generally sustainability, so that Hermès Group can better anticipate related opportunities, challenges and risks, on the basis of all the information published by the Group on social and environmental matters (including the reporting required by CSRD);
- assist the Supervisory Board in monitoring the Hermès Group's social policy and the policy of non-discrimination and diversity;

**1.2. assist the Audit and Risk Committee and the Supervisory Board in reviewing the sustainability information to be published by the Company. Conduct of the CAG-CSR Committee**

**1.2.1. Number of meetings - Duration of meetings**

The CAG-CSR Committee meets as many times as necessary and at least once a year, before the setting of the compensation of the Executive Chairmen by the Active Partner.

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

The CAG-CSR Committee uses a dashboard to plan and prepare its work in a balanced way over the year.

According to its responsibilities with respect to Corporate Social Responsibility and more generally sustainability, one or several meetings can be held annually with the Audit and Risk Committee. The purpose of this (those) joint(s) meeting(s) is to strengthen coordination and sharing between the two committees on this related subject.

**1.2.2. Agenda - Convening - Minutes**

The CAG-CSR 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 CAG-CSR Committee meeting, CAG-CSR 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 CAG-CSR Committee meetings is performed, if she or he is present, by the Supervisory Board Secretary, otherwise by a member of the CAG-CSR 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 or a member of the CAG-CSR Committee and the secretary.

Minutes of CAG-CSR Committee meetings are drawn up at the end of each meeting and sent to all members of the Committee, who are invited to comment. Any observations are discussed at the Committee meeting, which approves the final text of the minutes of the previous meeting.



Meetings of the CAG-CSR Committee are reasonably held when at least half of its members participate, it being specified that members who participate in an CAG-CSR 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 CAG-CSR 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 CAG-CSR 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 CAG-CSR 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 CAG-CSR Committee must enable the Supervisory Board to be fully informed on the CAG-CSR Committee's performance of its assignments.

## **2. MEMBERS OF THE CAG-CSR COMMITTEE**

### **2.1. Composition of the CAG-CSR Committee**

#### **2.1.1. Chairmanship - Number of members**

The Chair of the CAG-CSR 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 CAG-CSR Committee is composed of at least three members of the Supervisory Board.

The Chairman of the Supervisory Board can be invited to certain CAG-CSR Committee meetings in order to hear his or her opinion in matters of appointments or governance.

The Audit and Risks Committee does not include any executive directors.

Third parties that are not members of the CAG-CSR Committee – mainly the Group Sustainable Development Director, the Group General Counsel, or auditor(s) in charge of certifying sustainability information – are invited to the CAG-CSR Committee's meetings. The CAG-CSR Committee may invite other executives, for targeted discussions, depending on the need for further information.

The Executive Vice-President Corporate Development and Social Affairs and the Group Director of Human Resources systematically participate to the meeting of the CAG-CSR Committee.

The Director of Corporate law and Stock exchange regulations and Compliance Officer, and Supervisory Board Secretary assumes the secretariat under the responsibility of the Chair.

#### **2.1.2. Proportion of independent members**



The proportion of members of the CAG-CSR 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.

### **2.1.3. 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 term defined by the Supervisory Board. They may be reappointed indefinitely.

### **2.2. Information handled by the CAG-CSR Committee**

The CAG-CSR Committee is entitled to all the documents it needs to carry out its responsibilities from employees of Hermès International.

Specifically, the CAG-CSR must be informed about the compensation policy for senior managers who are not Executive Corporate Officers (especially 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.

During the review of the sustainability information by the Audit and Risks and the CAG-CSR Committees, the former must be prepared and accompanied with a presentation from the auditor(s) responsible for certifying said information, highlighting the key points, and may be accompanied by a presentation of the Executive Vice-President Finance and the Executive Vice-President Corporate Development and Social Affairs describing the company's exposure to risks and significant extra financial commitments.

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

### **2.3. Liability of the members of the CAG-CSR Committee**

The members of the CAG-CSR 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 CAG-CSR COMMITTEE**

The CAG-CSR Committee regularly assesses its performance in conjunction with the self-assessment of the Board. The members of the CAG-CSR 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 CAG-CSR Committee and its members are reviewed and assessed and any applicable recommendations for improving performance are made.

## **4. COMPENSATION OF THE CAG-CSR COMMITTEE**

Compensation of CAG-CSR Committee members is defined by the Supervisory Board and deducted from the total amount awarded to Supervisory Board's members.