




HERMÈS
PARIS

2017 REGISTRATION DOCUMENT
INCLUDING THE ANNUAL FINANCIAL REPORT

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2017
REGISTRATION
DOCUMENT

Including the Annual Financial Report

Sense in our objects, sense in our actions



In our own way. This inspiring expression often occupies the thoughts of our employees.

Choosing our clothes and shoes, taking care with our appearance, selecting a fragrance to suit our mood, picking a scarf or tie, checking our watch, assembling our accessories and heading out... this is, in general, what constitutes our meticulous preparations. The objects that we wear or carry make us feel well supported. They are our companions, constant or inconstant, regular or occasional.

In our own way... When this thought crosses our minds, we cannot help thinking of the freedom of action that is our hallmark, and we are proud that the principal vocation of Hermès is to provide people in movement with objects that offer pleasant company throughout their day – a day filled with success, naturally.

On that subject, our house, in constant movement, was driven by success in 2017. We owe this above all to the action of the women and men working every day at Hermès and to the quality of our objects, which resulted in strong growth in revenue and profitability at an all-time high. All regions and all Hermès métiers contributed to this unequivocal success.

Doing things in our own way, and being in constant movement, perhaps this is the sense in our actions.

Axel Dumas
EXECUTIVE CHAIRMAN

Émile Hermès SARL Gérant
REPRESENTED BY ITS EXECUTIVE
CHAIRMAN, HENRI-LOUIS BAUER

HIGHLIGHTS FOR 2017

Record profitability in 2017

The Group's consolidated revenue amounted to €5,549 million, up +9% at constant exchange rates and +7% at current exchange rates. Operating income, up 13%, amounted to €1,922 million (34.6% of sales) and net profit increased 11% to €1,221 million.

Axel Dumas, Executive Chairman of Hermès, said: "*Hermès achieves a new year of historic results, thanks to the quality of our know-how, the success of our creations and especially the incredible commitment of the women and men of Hermès that I thank particularly.*"

Sales by geographical area and by sector

(at constant exchange rates unless otherwise indicated)

The significant rise in revenues recorded in 2017 in Group stores (+9%) was driven by growth in all the geographical areas. Hermès continued to improve the quality of its distribution network, completing renovation and extension work on almost twenty stores.

Hermès deployed its new website in Canada and then the USA. It will be launched in Europe in the first half of 2018, then in China at the end of the year.

All the geographical areas posted growth in 2017

Asia excluding Japan (+11%) pursued its upward curve with a positive outlook in mainland China and in South Asian countries. The context is improving in Hong Kong and Macao. The region particularly extended and renovated the Sogo Fuxing store in Taiwan, Kowloon Elements in Hong Kong and the Kuala Lumpur store in Malaysia.

Japan (+4%) despite a high comparison basis, recorded a sustained increase thanks to its selective distribution network.

America (+8%) achieved a good year in particular in the United States. The stores in Toronto and Palm Beach were renovated and extended at the end of the year. Brazil benefited from the opening of the new São Paulo Iguatemi store in June.

Europe (+8%) confirmed an outstanding performance in the Group stores. This was particularly due to the success of the stores opened or extended on Sloane Street in London, in Munich and Copenhagen. France in particular (+5%), whose store on avenue George V is being renovated, performed well.

All sectors recorded growth in 2017

All sectors recorded growth, with a remarkable performance of the Ready-to-Wear and Accessories, Perfumes and Other sectors.

Growth in Leather Goods and Saddlery (+10%) is in line with the annual growth target in production capacities, in order to meet the strong demand for both iconic bags and the other models such as the *Constance*, *Halzan*, *Lindy* and *Verrou* bags. Development projects continue with the *Manufacture de l'Allan*, and the launch of the *maroquineries de Guyenne* and *de Montereau* which are likely to be completed by the year 2020.

The Ready-to-Wear and Accessories division (+9%) confirmed its great performance, driven by the success of the ready-to-wear collections, fashion accessories and particularly shoes.

The Silk and Textiles business line (+6%), gaining from sustained demand, the diversity of materials and the wealth of creations, pursued its growth.

The Perfumes division (+10%) posted strong growth, particularly due to the successful launch of *Twilly d'Hermès*.

The Watches business line (+1%) recorded a slight increase, with good sales in Group stores. The watches offer presented for the first time in Geneva at the *Salon International de la Haute Horlogerie (SIHH)*.

Other Hermès business lines (+11%) which encompass Jewellery, Art of Living and Hermès Table Arts, continued their development.

The operating margin reached an all-time high of 34.6% of sales

Recurring operating income increased 13% to €1,922 million compared to €1,697 million in 2016. The operating margin (34.6% of sales) is up 2.0 points from 2016. This outstanding result is driven mainly by the success of the collections, the very high level of productivity at the production sites and the positive impact of foreign exchange hedges from 2016.

Consolidated net profit (Group share) increased 11% to €1,221 million, representing an all-time high of 22% of sales.

Operating cash flows reached €1,598 million, up 11%, enabling the Group to finance all capital expenditure (€265 million), the ordinary dividend distribution (€399 million) and share redemptions (€187 million). After adjustment for the reduction in working capital requirements (€25 million), the IFRS net cash position gained almost €600 million to reach €2,912 million as at 31 December 2017.

In 2017, Hermès International redeemed 433,242 shares for €187 million, outside transactions completed within the framework of the liquidity contract.

Growth in workforce

The Hermès Group increased its workforce by almost 650 people, including more than 400 in France, mainly in the production units and sales teams. At year-end 2017, the Group employed 13,483 people, including 8,319 in France.

Opening of the Landmark Prince's flagship and disposal of the Galleria in Hong Kong

The Hermès Group, which inaugurated on January 10, 2018 its new flagship store at the Landmark Prince's in Hong Kong, signed a promise on 15th, February to sell the premises of its former Galleria store, which it owned. This transaction, which is underway, could generate a net capital gain of around €50 million in the 2018 financial year.

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1.1 STAGES OF THE GROUP'S HISTORY: SIX GENERATIONS OF CRAFTSMEN

Hermès holds a unique position in the luxury market, which was valued at €262 billion in 2017 (source: Bain & Company's Global Luxury Study). The Group is therefore, relatively speaking, less exposed to general changes in the sector.

Today, the Group employs 13,483 people worldwide and has 304 exclusive stores, 212 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.

Thierry Hermès, a harness-maker, set up business in Paris in 1837.

Ever since, his descendants have worked together to develop the Hermès Group. In 1880, his son transferred the family business to its now-famous address, 24 Faubourg Saint-Honoré, where he expanded into saddlery. Soon, he was supplying saddles and harnesses to the stables of aristocrats all over the world.

In 1918, with the advent of the automobile, the founder's grandson, Émile Hermès, foresaw the coming changes in transportation and envisioned new lifestyles. He launched a line of fine leather "saddlestitched" goods and luggage. The Hermès style was born, and its field of activity has never ceased to grow.

Émile Hermès also accumulated a private collection of paintings, books and articles that were to be a source of inspiration for designers. During the 1950s, Émile Hermès' sons-in-law, Robert Dumas and Jean-René Guerrand, continued to diversify operations whilst safeguarding the brand's integrity, creating: clothing, jewellery, watches, diaries, silk scarves and more...

Starting in 1978, with the help of other fifth- and sixth-generation members of the family, Jean-Louis Dumas brought renewed impetus to Hermès by expanding into new sectors and establishing a global network of Hermès stores.

28 years later, in 2006, he entrusted the management to Patrick Thomas and the company Émile Hermès SARL, while the artistic directorship was passed on to Pierre-Alexis Dumas in February 2009.

Axel Dumas, a sixth-generation family member, was appointed Executive Chairman in 2013 alongside Patrick Thomas, who subsequently left his post in January 2014. Axel Dumas is now in sole charge of the house.

Today, Hermès applies its creativity to a wide range of sectors: leather goods and saddlery, men's and women's ready-to-wear, footwear, belts, gloves, hats, silks and textiles, jewellery, furniture, furnishing fabrics, wallpaper, tableware, perfumes, watches and petit h.

International in scope, Hermès is characterised by superlative manufacturing inspired by the values of traditional craftsmanship, and remains a family firm with a uniquely creative spirit that is continuously renewed.

For almost 180 years, Hermès has been creating, inventing and innovating.

Some of our models enjoy enduring success decades after they were first designed. Reissued, reinterpreted and reinvented, these timeless creations forge the identity of Hermès.

1837

- ◆ Harnesses

1867

- ◆ Saddles

Around 1900

- ◆ *Haut à 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 fashions
- ◆ *Mallette à coins rapportés*

1927

- ◆ Wristwatches
- ◆ *Filet de selle* bracelet

1928

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

1930

- ◆ Diaries

1937

- ◆ First silk scarves

1938

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

1949

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

1951

- ◆ *Eau d'Hermès* fragrance

1954

- ◆ Beach towels in printed terry towelling

1956

- ◆ The bag designed by 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 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
- ◆ *Foure-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
- ◆ Dressage
- ◆ Automatic gold watch
- ◆ *Étrivière* briefcase

2004

- ◆ *Eau des Merveilles* fragrance for women
- ◆ *Brasília* jumping saddle
- ◆ First fragrance collection
- ◆ *Hermessence*

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*
- ◆ Porcelain tableware
- ◆ *Mosaïque au 24*
- ◆ *Cape Cod Tonneau* watch

2010

- ◆ First haute bijouterie collection
- ◆ *Les Maisons enchantées* faience tableware
- ◆ *Talaris* saddle
- ◆ *Voyage d'Hermès* fragrance
- ◆ Reissue of furniture
- ◆ 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
- ◆ Occasional furniture
- ◆ *Les Nécessaires d'Hermès*

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

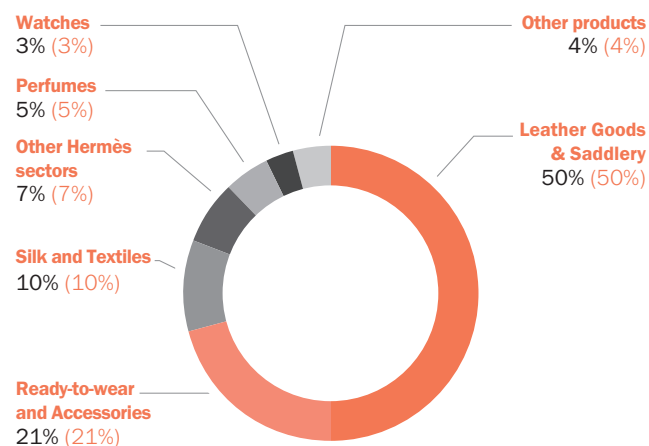
- ◆ *Verrou* bag
- ◆ *Bâton de Craie* bag
- ◆ *Hermès Arpège* dressage saddle
- ◆ *Carnets d'Équateur* porcelain tableware
- ◆ *Galop d'Hermès* fragrance for women
- ◆ Fourth *HBIV Continuum* haute bijouterie collection

2017

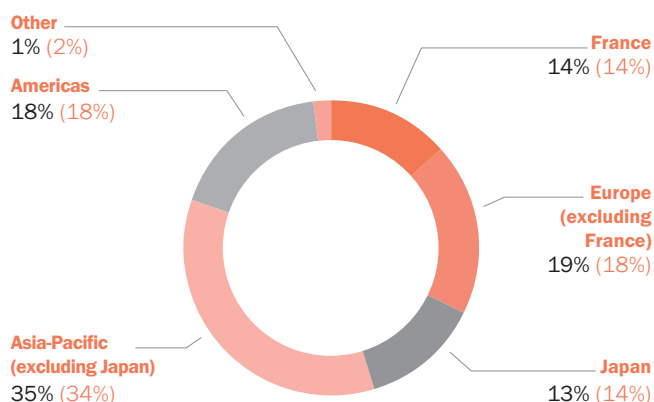
- ◆ *Hermès Cinhetic* bag
- ◆ *Twilly d'Hermès* fragrance for women
- ◆ *Chaîne d'ancre Punk* jewellery collection
- ◆ *Tie-Set* porcelain tableware
- ◆ *Liens d'Hermès* range of Maison objects

1.2 KEY FIGURES

1.2.1 BREAKDOWN OF REVENUE BY SECTOR 2017 VS 2016



1.2.2 BREAKDOWN OF REVENUE BY GEOGRAPHICAL AREA 2017 VS 2016



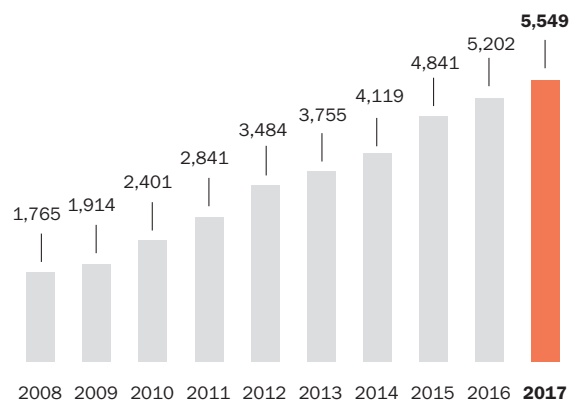
1.2.3 KEY CONSOLIDATED DATA

In millions of euros	2017	2016	2015	2014	2013
Revenue	5,549	5,202	4,841	4,119	3,755
Growth at current exchange rates vs. n-1	6.7%	7.5%	17.5%	9.7%	7.8%
Growth at current exchange rates vs. n-1 ¹	8.6%	7.4%	8.1%	11.1%	13.0%
Recurring operating income	1,922	1,697	1,541	1,299	1,218
in % of revenue	34.6%	32.6%	31.8%	31.5%	32.4%
Net income attributable to owners of the parent	1,221	1,100	973	859	790
in % of revenue	22.0%	21.2%	20.1%	20.9%	21.0%
Operating cash flows	1,598	1,439	1,218	1,049	1,016
Investments (excluding financial investments) ²	270	285	267	322	232
Equity attributable to owners of the parent ³	5,039	4,383	3,742	3,449	2,826
Net cash position IFRS	2,912	2,320	1,571	1,422	1,022
Restated net cash position ⁴	3,050	2,345	1,614	1,494	1,091
Economic value added (EVA) ⁵	1,070	949	793	713	655
Return on capital employed (ROCE) ⁶	57%	49%	45%	43%	45%
Workforce (number of employees)	13,483	12,834	12,244	11,718	11,037

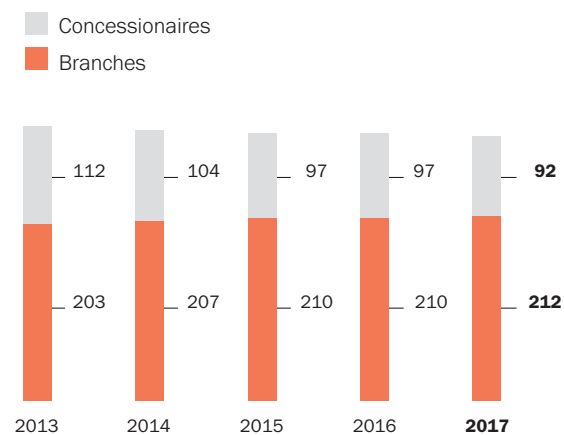
- (1) Growth at constant exchange rates is calculated by applying, for each currency, the average exchange rates of the previous period to the revenue for the period.
(2) See chapter 4, page 185.
(3) Equity excluding non-controlling interests.
(4) The restated net cash includes cash investments that do not meet IFRS cash equivalent criteria as a result of their original maturity of more than three months.
(5) Difference between recurring operating income after tax on operating income and the weighted average cost of capital employed.
(6) Recurring operating income, after tax on operating income, based on average capital employed. See page 186.

1.2.4 CHANGES IN CONSOLIDATED REVENUE

In millions of euros

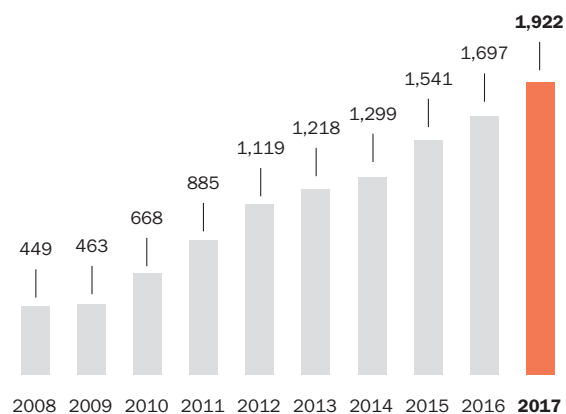


1.2.6 CHANGE IN THE NUMBER OF EXCLUSIVE RETAIL STORES

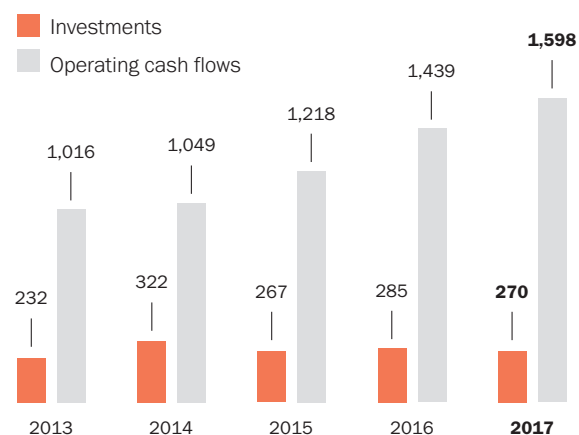


1.2.5 CHANGE IN RECURRING OPERATING INCOME

In millions of euros



1.2.7 INVESTMENTS (EXCLUDING FINANCIAL INVESTMENTS) AND OPERATING CASH FLOWS



1.3 ACTIVITY BY SECTOR

	2017 revenue in millions of euros	2017 mix in %	2016 revenue in millions of euros	2016 mix in %	Changes	
					At current exchange rates	At constant exchange rates
Leather Goods & Saddlery	2,800	50%	2,604	50%	7.6%	9.7%
Ready-to-wear and Accessories	1,181	21%	1,099	21%	7.5%	9.4%
Silk and Textiles	534	10%	515	10%	3.7%	5.7%
Other Hermès business lines	365	7%	336	7%	8.6%	10.5%
Perfumes	288	5%	262	5%	9.8%	10.1%
Watches	158	3%	158	3%	(0.3)%	1.4%
Other products	223	4%	228	4%	(2.1)%	(0.9)%
CONSOLIDATED REVENUE	5,549	100%	5,202	100%	6.7%	8.6%

1.3.1 LEATHER GOODS AND SADDLERY

Leather Goods and Saddlery, the original sector of Hermès, 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 sector represents 50% of consolidated sales. In 2017, it generated revenue of €2,800 million.

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 artisans each day patiently crafting and fashioning the raw leather gives these unique objects a distinctive additional measure of soul.

Today, production is ensured by over 3,200 saddler-leather workers spread over 16 production units located in Paris, Pantin and various regions across France. In June 2017, in response to continuing strong demand, two new leather goods workshops were opened in Normandy and in the Limousin, and the construction of a third plant in Franche-Comté was completed in December. Hermès has also announced the establishment of two new leather goods workshops by 2020, in the Gironde and in Seine-et-Marne, representing 500 future jobs. These future locations have been prepared in close partnership with the various local stakeholders and regional administrative and economic development organisations. 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 artisans' 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.

1.3.1.1 Bags and luggage

In accordance with the annual theme of “the meaning of objects”, the bags and luggage collections focus particularly on combining savoir-faire, creativity and functionality.

Savoir-faire, which is always at the heart of the Hermès creative approach, was the source of many new products. The *Opli* line, a bag and mini-clutch with a relaxed, feminine style, has an unusual construction: the skilful folding of a single piece of leather elevates the purity of the material, making the closure invisible. The small box-shaped silhouette of the *Hermès Cinhétic* line, inspired by Conservatory travel essentials, has revived rare savoir-faire such as the corner and seam stitching on the handle. Its highlight is an ingenious kinetic closure, which forms an H when it is locked and on opening creates a slender silvery line.

Other virtuoso techniques are given expression such as the printing on leather of Nigel Peake's design “On a Summer Day”, the creation of a gemstone jewellery clasp or the original combination of leather and embroidery.

Work on materials has also invigorated the design process and has led to some models being reinterpreted. As a result, *Etrivière* has thus become “Aviator” with a sheepskin lining. The austerity of the *Plume 40* bag softened with the appearance of the new *Taurillon Maurice* leather, which combines suppleness and flair for a more sporting silhouette. The *Haut à Courroie* bag has been revamped and is reborn in felt and wool. The *Airsilk* back pack and duffel bag line, which has a sporting, fluid style, is created in a new material, technical silk, which combines the feel of silk with the performance of a waterproof coating.

Materials have also caused surprise with exceptional pieces, such as the *Croco Ombre* that adorns *Birkin* and *Kelly* bags with a bespoke faded elegance, or the *Micro-Precious* collection, bijoux mini-bags in precious leather which are worn on the shoulder using their slender golden chain.

Many models from the Hermès archives have demonstrated that they can keep up with the times. Fortunio is the re-issue of a clutch bag from the 1930s with a finely engraved clasp that has a clever mechanism allowing access to two internal compartments separately. For its part, the world of travel has seen the reappearance of the RD bag named after its creator Robert Dumas.

Particular attention has been paid to the great classics, which are still just as desirable. The *Kelly* bag has a handle in the style of a bridle browband, in braided or embossed leather. The *Birkin*, *Kelly* and *Constance* bags are breaking new ground by using canvass printed with an equestrian chain design inspired by a number of objects in the Emile Hermès museum. The new *Bolide* 1923 bag rediscovers the blueprint of its original version and gives it a contemporary interpretation. Finally, a huge range of straps invites a second look at all of the bags: the Cavale belt, with its braided leather strap, the *Etiquette* version bearing the initials of its owner or a more prestigious version yet in studded box calfskin.

The men's collections continue the feel of the active, urbane and nomadic man. The *Cityslide* line offers an adjustable volume pouch and pocket, thanks to an ingenious zipper system inspired by a cartridge belt. With their sleek lines, the *Citynews* bag and briefcase reveal a number of functional details such as zipped pockets and a detachable strap. The more formal *Cityhall* family has been expanded by a new clutch punctuated by its signature closure, while there is a new version of the *Sac à Dépêches* of more refined size. Finally, the *Hapache* clutch explores a new hybrid scope, between a bag and small leather goods, with its adjustable and ergonomic shoulder straps, inspired by the male wardrobe.

1.3.1.2 Diaries, small leather goods and writing objects

The formats and uses of small leather goods continue to evolve, combining aspects of practicality, elegance and escapism.

Like the women's line inspired by the house's equestrian heritage comprising a long wallet, change purse and a key holder whose construction is based on the use of overlaid edging evoking horse blankets. It uses Villandry calfskin, a new leather that is smooth with a delicate gloss and dappled transparency, offering a supple and soft feel.

Small leather goods is also inventing new uses with the original combination of two silk-lined wallets, one compact and the other a larger model that can be carried on the shoulder thanks to a thin removable strap. This hybrid model introduced a 1960s inspired closure with a push-button closure decorated with an engraved H.

The new line of accessories, with its small-sized object, distils the *savoir-faire* of the house. Thus, a 1920s dog collar from the Emile Hermès museum appears in miniature form as a key ring with an emphasis on silversmithing and jewellery and metallic decoration. Or again a trunk handle from the end of the 1920s becomes a diamond-shaped key ring which is embellished by a leather casing.

The great classics are changing to adapt to contemporary uses. This is demonstrated by the zipped clutch which comes in a large format in order to protect tablet computers, or diary covers with additional spaces

to keep cards, telephones and tablets. As for the new cardholders for men, which are even more slim, they combine being ultra-compact with functionality and a large capacity.

1.3.1.3 Equestrianism

2017 confirmed the success of the Hermès saddle and its three latest models: *Hermès Cavale*, *Hermès Allegro* and *Hermès Arpège*. Consequently, the *Faubourg* saddlery workshop has taken on new craftsmen in order to develop its manufacturing capacity.

The bridle business continues to be modernised and is expanding its collections with ultra-supple reins, single strand dressage stirrup leathers together with a halter, mixed ergonomic bridles and straps for the greater comfort of the horse.

The rider also benefits from cutting-edge innovations, notably an ultra stretch jacket that is totally waterproof thanks to a seamless assembly, and anatomical riding breeches that improve muscular performance and facilitate recovery thanks to their targeted compression properties.

Hermès' colours have been represented 25 times on the most beautiful international competition courses with, in particular, a first showing at the legendary *Jumping de La Baule* event. In parallel with this involvement, the mobile store is experiencing growing success – it has become the third largest sales channel in volume terms – while the riders' lounge is now a much anticipated meeting place for professional horse riders. Each of these privileged encounters with the equestrian world allows Hermès to highlight its saddle making expertise, to develop its technical sales and to offer a unique and original experience to its clients.

Finally, Hermès is pleased to welcome two new riders as its partners this year: Jérôme Guéry for Belgium and Abdelkebir Ouaddar for Morocco.

1.3.2 READY-TO-WEAR AND ACCESSORIES

The Ready-to-wear and Accessories sector is the Hermès Group's second largest sector, representing consolidated sales of 21%. In 2017, it generated €1,181 million in revenue.

1.3.2.1 Women's ready-to-wear

Nadège Vanhée-Cybulski, creator of women's ready-to-wear, is modernising the classics and bringing a touch of urban modernity to them, leading to an elegance that is always natural and relaxed.

For the summer, the silhouette is inspired by the end of the 1930s and offers self-coloured or print dresses, with an accentuated waist in flowing fabrics. Clothing is interpreted in terms of its function: college-style jacket and trouser suit for the beginning of the season, milled cotton drill denim decorated with contrasting stitching for contemporary urban use. The exceptional summer leather reveals genuine technical prowess: bright lamb leather or calfskin pieces that show a remarkable finesse and lightness, perforations depicting an interplay of shadows and light, silk and lamb leather combinations for a different summer's evening.

The winter collection takes its inspiration from the house's equestrian roots, while the influence of Hermès Sport is undeniable. The horse blanket or hood are reinvented in the form of raincoats, capes or jackets in noble materials such as single or two-tone, double-sided cashmere. The silhouette is generous and enfolding in saturated colours. Or more dynamic and graphic, it displays post-modern influences in flamboyant colours: anemone, mallow, burnt orange, rust or bougainvillea. The Beta scarf by Nathalie du Pasquier, in silk twill, is the starting point for a wardrobe that plays with pure lines and optical illusions.

Finally, for the evening, the elegant and refined silhouette is dressed in structured materials such as silk faille or wool and silk, with satin underside, in black and white or monochrome contrasted sets in mat and gloss finishes.

1.3.2.2 Men's ready-to-wear

2017 with its "meaning of objects" theme was the opportunity to highlight the essential aspects of the Hermès Men's Universe through a new wardrobe of "object-garments", a fundamental concept for Véronique Nichanian, the creator of the men's ready-to-wear collection.

The spring-summer collection asserts an ample lightness marked by intoxicating colours. The patterns and micro-patterns, changing effects and tie-dye are an invitation to a joyful and invigorating summer.

For autumn-winter, the accent is upon contrasting volumes and textures with reversible offerings and deep, half-tone colours. This collection is based on unparalleled savoir-faire: the affirmation of leather, the deceptive effect of cable knit over shearling, motifs and macro patterns and subtle tones for suits in smooth velvet.

A "Rock-mantic" collection for an assertive and relaxed silhouette.

Through these two collections, Véronique Nichanian reinvents masculine elegance with vitality and modernity.

1.3.2.3 Accessories

The accessories department comprises jewellery in enamel, horn, lacquered wood and leather, as well as belts, hats, gloves, the Internet of things and shoes.

1.3.2.3.1 Jewellery accessories

The collections, which are faithful to the house's creative spirit, have revisited objects whose initial meaning has been misappropriated by Hermès in order to make them into jewellery. Like this new line of leather bracelets adorned with round and smooth palladium-coated studs that are perfectly aligned: inspired by a collection from the 1930s they refer humorously to the old pedestrian crossings.

For men, the *Chaîne d'ancre* is reinterpreted in a masculine way on a ring and a cuff-link, with a vibe that is both rock and chic.

1.3.2.3.2 Belts

The range of single-size women's belts is growing. Thanks to a clever set of slides, these adapt to all ways of wearing them, on the waist or on the hips. A new closure inspired by the hinged enamel bracelets and, like them, finished with an elegant saddle rivet that activates the mechanism, has also been launched.

For men, new identities find their inspiration in the Company's origins: in the shape of a stirrup, finished off with a discreet saddle rivets or again revisiting the *Chaîne d'ancre*.

1.3.2.3.3 Hats

With the popularity of caps for men, in all seasons and all styles, the range of caps is naturally enhanced by inescapable shapes: baseball cap, American cap, five-panel hat, flat cap etc.

Hats continue to come in multiple shapes – round skullcap, men's or straw boater, brims of all different sizes together with infinite colour combinations, decorations and linings in order to meet anyone's desires

1.3.2.3.4 Gloves

Service is always the priority with the development of a range of semi-bespoke gloves allowing customers the option to put together and personalise their gloves and highlighting the expertise of the Company's glove makers.

1.3.2.3.5 The Internet of things

In association with the *Apple Watch Series 3* LTE, the *Apple Watch Hermès* completes its collection of exclusive bracelets with the *Rallye* bracelet in Gala calfskin, inspired by Hermès classic driving gloves, and the *Éperon d'or* bracelet in printed Gala calfskin which reproduces the equestrian design of the eponymous silk scarf designed by Henri d'Origny in 1974.

A new watch face, inspired by the *La Montre Hermès "Carrick"*, also designed by Henri d'Origny in the 1990a, completes the existing watch face options.

1.3.2.3.6 Shoes

Pierre Hardy, Creative Director for women's and men's shoes, has had fun shifting the familiar vocabulary of shoemaker savoir-faire in order to transcend the sense of the object in a contemporary way.

Thus, for the summer, women's shoes include flat sandals whose hinged straps, cut with sharp edges in natural tone leathers, are inspired by a folding ruler. Another exploration of a new use is a basket sandal with the daring coloured elegance of printed silk, braided manually.

For winter, the shoes affirm their character with boots adorned with palladium-coated rivets that are evocative of workshop tools, the addition of a leather inter-sole that emphasises and accentuates the arch, or platforms on boots or thigh-high boots for a distinctive look.

The men's collection plays with materials and shapes in order to offer different approaches according to the seasons: in summer, supple and light on thin leather soles, or determinedly sporting with calfskin sandals combined with a technical fabric on a sports-style sole.

And in winter, firmly anchored on Derby shoes with straps and Licol buckles and a rubber and leather sole for a masculine and robust base.

Sport has a voice throughout the year with a range of thin or profiled rubber-soled models, playing on multi-material combinations in a range of refreshing colours brightened by reds, cobalt blue or lime yellow.

1.3.3 SILK AND TEXTILES

Silk and Textiles represent Hermès' third largest sector, accounting for 10% of sales. In 2017, this sector achieved €534 million in revenue.

1.3.3.1 Women's silk

In 2017, the designers increased the number of tributes to objects on the 90 scarf in silk twill: *Fouets et badines* from the Emile Hermès collection, by Virginie Jamin; samurai armour and its sumptuous armaments for *Parures de samouraïs*, by Aline Honoré; 19th century paintbox for *Les trésors d'un artiste*, by Pierre Marie; or *Hermès haute bijouterie* jewellery, redesigned by Florence Manlik in the style of a jewellers' "*planche d'étude*", with *Étude pour une parure de gala*.

The *Brides de gala* design, that is both emblematic of the Hermès scarf and the perfect representation of an equestrian object, was a particular point of focus: treated in a photographic negative style like a Chinese shadow on a beautiful *Abeilles* printed silk twill, which is interpreted in pastel colours and printed with flowers like an embroidery, or interspersed with small coloured hearts and sold in an orange heart-shaped box!

Hermès has enhanced its plain and semi-plain collections in feminine silk, with new scarves covered with dots, stripes and cubes. A new graphic style between plain and printed in 70 cm format.

The autumn-winter season saw the launch of the new cashmere and printed silk diamond-shaped scarf, representing a first as this format and material had never been put together before. This new product which is sweet, feminine and coloured hosts iconic designs that have been reconstructed for the occasion.

1.3.3.2 Men's silk

For many seasons, the 7 cm tie has been confirmed as a new classic. In 2017, it takes the form of woven heavy silk displaying several micro-motifs and venturing with humour into the terrain of the men's wardrobe: a mischievous character is hidden on its box, which varies according to the model, or is coloured in the 13 shades of denim fabric.

For summer, the accessories family welcomes a new format: the 65 silk scarf As light as a breeze, it is notable for the *Boubou H* designed by Karen Petrossian, who depicts iconic objects from around the house in an exotic highly coloured form.

Another wink towards this year's theme, the Japanese designer Daiske Nomura offers, with the *Flamboyant web* 100 scarf in cashmere and silk, an original exploration of the house's male codes: equestrian objects from the Emile Hermès collection become the background for a futuristic fabric woven by two robotic spiders.

Finally, for autumn-winter, the *Double jeu* scarf in cashmere and silk is born from a desire to mix the printed and the plain: on one side, a light knit; on the other, the design, *Suite et poursuite*, by Cyrille Diatkine.

1.3.4 OTHER HERMÈS SECTORS

The Other Hermès sectors include Jewellery, the Art of Living and La Table Hermès. In 2017, they achieved revenue of €365 million, representing a 10% rise at constant exchange rates and accounting for 7% of the Group's total revenue.

1.3.4.1 Jewellery

The *Chaîne d'ancre Punk* jewellery collection, launched in silver at the end of 2016 and offered in gold in spring 2017, establishes itself as a new icon. Pierre Hardy transfigures the iconic by combining it with the safety pin, a simple object and everyday tool, whose pure lines cleverly allow a play between the closures and the manner in which they are worn. In this way, *Chaîne d'ancre* continues to demonstrate its ability to reinvent itself and to transcend tradition to offer an unexpected contemporary and elegant composition.

Chaîne d'ancre Punk becomes figurative or stylised on necklaces, rings, bracelets and earrings in white gold, pink gold or silver, using diamonds on some exceptional pieces.

This collection was unveiled through a staging which was a play on constructing/deconstructing the walls symbolising both change, unending creativity and the creative continuity of Pierre Hardy around the *Chaîne d'ancre* motif.

1.3.4.2 Art of Living and Hermès Table Arts

The Maison Universe range endeavours to be an elegant complement to its clients' daily lives, including in their intimate living spaces, and aims to create different, remarkable and unusual objects. Furniture and lighting, furnishing fabrics and wallpapers, ornaments and tableware, or personalised creations are some of the objects making a statement by their intelligent uses and the harmonious relationship they have between form, material and function. Combining the creative force with the craftsman's precise touch, they also stand out for their high quality workmanship.

In 2017, the Maison Universe range continued its creative approach and during the Design Week in Milan, presented new collections of items, furniture, textiles and tableware created under the auspices of Deputy Artistic Directors Charlotte Macaux-Perelman and Alexis Fabry.

Decor professionals, the press and design buffs particularly noted the Aes bronze table, created by English designers Barber & Osgerby, the *Karumi* bamboo stools designed by the architect Alvaro Siza, the *Lien*

d'Hermès line of objects and its spectacular *Groom attelé*, but also the original furnishings of the *Equipages d'Hermès* line, and the new *Tie Set* porcelain tableware inspired by Philippe Mouquet's tie designs. The powerful coloured graphics of the throws designed by Seulgi Lee, the Korean artist, also left a deep impression.

The new collection of fabrics and wallpapers was also unveiled in unexpected ways, providing a light and joyful presence in the streets of Milan or transforming the walls of the Liat Towers store in Singapore.

1.3.5 PERFUMES

In 2017, Perfumes continued their dynamic upward trend, generating revenue of €288 million, a rise of 10% at constant exchange rates.

The growth in business activity was supported by two striking new products, *Eau des merveilles bleue* and *Twilly d'Hermès*.

Eau des merveilles bleue was launched in the first half of the year and is a bright new star in the *Eau des merveilles* olfactory story. This Christine Nagel signature creation, between sea and sky, illuminates the woody mineral accord of *Eau des merveilles* with iodine accents.

In the second half of the year, the launch of *Twilly d'Hermès* formed a new bond between young women and Hermès. Inspired by the young girls that she saw leading their lives out in the street, and recognising the youthful spirit of the house in their infinite freedom and creativity, Christina Nagel wanted to describe this encounter and complicity in a fragrance. Under her influence, ginger, tuberose and sandalwood are brought together in a combination that is at the same time sweet and acerbic, carnal and subtle, unsettling and joyful. *Twilly d'Hermès* was very successful, weaving a direct link with a new generation of women ... a link symbolised by the silk "spaghetti" adorning each flask.

Along with these new launches, *Terre d'Hermès* reintroduced its "parfum" variant. This initiative in the second half of the year continued to build on its status as a classic fragrance for men. *Terre d'Hermès* has therefore grown in a highly competitive market and is ranked number three in France.

The year ended with the international launch of five new Christine Nagel creations for the *Hermessence* collection, including two perfume essences. *Cardamusc*, *Musc Pallida*, *Myrrhe Eglantine*, *Agar Ebène* and *Cèdre Sambac* were previewed at the opening of the specialist perfume Hermès store in the Mall of the Emirates store in Dubai.

1.3.6 WATCHES

With consolidated revenue of €158 million in 2017, Watches represents 3% of Group sales. 2017 was notable for a strong recovery in the growth of the retail store network, particularly in Asia, and for the gradual reduction of distribution through "external retailers", which Hermès wants to be on an increasingly selective basis.

Sales through our network of own stores benefited from the great success worldwide of two leading lines *Cape Cod* and *Heure M*. The *Cape Cod* range was significantly updated and extended to celebrate its 25th anniversary. This iconic line of the house, a "square in a rectangle" according to its creator Henri d'Origny, reinvents the *Chaîne d'ancre* motif *bracelet*, designed by Robert Dumas in 1938. In 1998 the house launched the twice-round bracelet designed by Martin Margiela. The models launched in 2017 enable *Cape Cod* watch fans to discover resolutely new expressions in this line which are both graphic and escapist. As for the *Heure M* line, the new models have a white or black lacquered case and have been very successful.

Since Baselworld last March, Hermès has strongly emphasised its originality within the watch industry, while defining its brand presence: Hermès offers a unique relationship with time, replete with escapism and excitement, playing with it but without seeking to control it. The new advertising campaign "Time, a Hermès Object" illustrates this message in, for example, the innovative digital campaign broadcast in the autumn to share the "time differences" between talented artists and instagrammers.

Among all of the new products in 2017 in this sector, Hermès has, in particular, introduced a new complication based on "Hermès Time" for its *Slim d'Hermès* line: the *Heure Impatiente* counts down in visual form, like an ascending staircase, the last hour before an anticipated happy event until the final chime sounds when the longed for moment finally arrives. Following *Temps Suspendu* in 2011 and *l'Heure Masquée* in 2014, *l'Heure Impatiente* is the third major complication depicting "Hermès Time". It was nominated for the GPHG (*Grand Prix d'Horlogerie* in Genève) in 2017 in the men's watch of the year category.

The year also confirmed the success of exceptional pieces. This is the case with our jewel watches (*Faubourg*, *Arceau*, *Medor* etc.), which were enhanced at the end of the year by the new *Klikti* line, which showcases the jewellery savoir-faire of the house through an original design inspired by the world of equestrianism. It is also the case for the *métiers d'art* watches which explore the best craft watchmaking savoir-faire of artisan watchmakers in order to highlight the creativity and designs that are representative of Hermès.

A true watchmaker, employing more than 300 people at watch manufacturing workshop in Switzerland, Hermès now manufactures 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 house métiers. Its expertise therefore enables Hermès to express more than ever a fresh voice in the watch industry.

1.3.7 OTHER PRODUCTS AND BRANDS

1.3.7.1 Cristallerie Saint-Louis

In 2017, the cristallerie Saint-Louis wanted to pay homage to the forest surrounding the Saint-Louis-Lès-Bitche production unit with the new *Folia* collection. A surprising encounter between crystal and wood, *Folia* offers a contemporary vision of the organic character of nature and of

this mysterious alchemy of sand and fire that encourages man to dream. Although the cut appears geometrical, in reality an astonishing plant fractal form is created. Noé Duchaufour-Lawrance has created 25 pieces covering all of the historical Saint-Louis ranges: the table, the bar, the candlestick, the vase and the light. Along with the production unit, he has also explored a new dimension: luminous furniture.

This collection was presented to international buyers and the press in January in a recreation of the Vosges forest. The properties of the crystal were showcased: its exceptional and powerful chime in a workshop given by a sound therapist, its ability to diffract light in a mirrored box – many store windows have reproduced this concept from the rue Royale in Paris to Hong Kong.

In addition, the iconic Saint-Louis collection, *Tommy*, was enhanced in September by new table lamps and oval vases in clear or coloured crystal. This collection, which will celebrate its 90th anniversary in 2018, embodies the virtuosity of the production unit's craftsmen with no fewer than six different cuts (star, bevel, pearl cuts etc) and a multitude of colours.

A much-awaited encounter every year since 1953 for collectors and fans, two paperweights dedicated to the Chinese astrological sign of the dog were created. These two virtuoso pieces mix blowtorch and macedoine techniques.

Finally, Saint-Louis has continued its international expansion with new facilities in Asia, in particular, in Taiwan, and also the opening of showrooms in Casablanca and Berlin. In France, the dedicated spaces in the major Paris stores (Printemps and Galerie Lafayette) have been renovated.

The house's digital store front has also been updated; a new website *saint-louis.com* enables people to discover both the designs and savoir-faire and to make online purchases.

1.3.7.2 Puiforcat

2017 was punctuated by the launches of new collections based on the themes dear to Puiforcat such as the "art of fine living" or the "art of taste".

Launched at the beginning of the year, the *Bureau d'architecte* provides Puiforcat with an entry into a new world, with nine desk objects that are as pure as they are functional (letter holders, bookends, etc.) designed with the architect Joseph Dirand and offered as limited editions. On this occasion, the workshop was able to demonstrate its technical mastery by perfecting a production process able to fulfil the designer's aesthetic inclination to bring gold and silver together. Each element was handled independently in order to allow the various trades to play their parts, then silvered or gilded and finally polished to perfection before being carefully assembled.

Since the end of the summer, Puiforcat has been offering its clients *Cannes précieux* on command, new personalisation options for the iconic *Cannes* cutlery collection, which was designed by Jean Puiforcat in 1928. In this jewelled version, the handle of the cutlery is dressed in onyx, lapis-lazuli, jade or jasper.

In addition to these launches, the house has organised different tasting dinners in the new salon situated in the basement of its Paris store and

in Japan, China and the Americas. Each of these events was the opportunity for clientèle and an audience of influencers and procurement professionals to discover the "art of taste" according to Puiforcat.

Puiforcat has continued to rely on digital as an outreach method enabling a new audience to be reached. An Instagram account was opened in the first half of the year and the new *puiforcat.com* website was unveiled in October. With pure graphics punctuated by geometric patterns and inspired by the founding style of Jean Puiforcat, this site incorporates a wealth of stories which have made the house legendary.

Finally, Puiforcat actively continued to optimise its production division via a range of industrial tool strategies, production and logistics processes, to maintain the exceptional quality upon which its reputation is built.

1.3.7.3 Bootmaker John Lobb

In spring 2017, John Lobb took part in the Paris fashion week for the first time. This was the opportunity to present the new women's ready-to-wear collection which was inspired by the custom made archives. Faithful to the heritage of the Northampton manufacturer, the models with goodyear welting provide comfort and lightness thanks to the so-called tensile construction.

At the same time the men's collection has continued its growth. The "Lobb brown" colour created in the 1960s within the Paris workshop and characterised by a delicate finish obtained using the best full-grain leather has been relaunched. The new rubber soles of the autumn-winter collection assembled using storm welts which are ideal for braving the elements ensures they are a pleasure to use. Having become essentials, the sneakers range has been enhanced by several different versions and is now available in the famous Museum Calf leather.

Throughout the year, John Lobb has continued to modernise and to develop its network of owned-stores, in particular with new stores in the USA.

Lastly, the *johnlobb.com* website unveiled its new visual identity at the end of the year.

1.3.7.4 Textiles

Holding Textile Hermès brings together under one structure all of our textile production expertise: from creation to fabrication, including weaving, engraving, printing, dyeing and finishing.

It supplies not only the Group's various sectors, but also external markets such as clothing and interior decoration, in particular for the brands Bucol, Créations Métaphores, Vérel de Belval and Le Crin.

2017 was notable for the dynamic nature of internal orders from the Hermès divisions both for long-standing and new products. These good results were achieved thanks to the complementarity between business areas and by maintaining a high level of service against the background of continuing internal restructuring projects.

Furthermore, Holding Textile Hermès closely monitors the preservation and passing-on of expertise, by promoting apprentices and creating an Innovation Unit.

1.3.7.5 Tanning and Precious Leathers.

The tanning division handles the purchasing, tanning, dyeing and finishing of precious hides destined for high quality fashion and leather goods brands and manufacturers, as well as for the high-end watchmaking industry.

In 2017, the division continued to increase its production and management potential of the Group métiers in its two sectors, exotic hides and calfskin.

Les Tanneries du Puy have continued their major organisational and technical restructuring initiated in 2016, and major efforts were made to improve site security, workstations and manufacturing processes. A substantial programme of investments is planned for coming years. The development of synergies with the Tannerie d'Annonay has continued, particularly in the area of supplies and the development of tanning and new finishes.

In 2017, the new exotic finishes from chrome-free tanning were very well received, particularly the pastel shades which were added to collections. The watchmaking sector has also shown significant interest in this type of tanning.

New calfskin developments were also launched, such as "135 grain calfskin" which has enhanced the house's belt collections or watchmaking leathers.

The tanning division has therefore consolidated its work and investments, in line with its objectives: to assert its position of excellence on the precious leathers market thanks to making supplies more stable, optimising production capacities, and developing expertise, innovation and creativity, while maintaining its exemplary behaviour in terms of adherence to ethical and environmental standards.

1.3.7.6 Hermès Horizons

With Hermès Horizons, Hermès is extending its traditional savoir-faire and sense of innovation to encompass all bespoke orders for private clients. This service brings together the finest and most technical materials, utilising cutting-edge technology to create one-of-a-kind objects or fit out and upholster all types of vehicles.

Many objects were made to order for clients from all over the world. Specially designed bags, personalised collectable items or items created from scratch all provided opportunities to demonstrate Hermès' savoir-faire and creativity.

In the field of mobility, Hermès Horizons has delivered a new project to fit out a private jet for an individual client and has continued to implement a project involving a 42-metre yacht.

The "Mon Rêve Hermès" initiative, offering store managers the opportunity to imagine the dream object that they would like to offer their clients, took shape in the creation of four entertainment objects which have been on show in stores since the end of the year: a table football table, a skateboard, a longboard and a kite.

Special creations were designed for the reopening of the stores in London (Sloan Street), New Delhi and Toronto.

1.3.7.7 Petit h

A laboratory dreamt up by Pascale Mussard, petit h offers a unique creative approach to different artists and creators by making available to them, under one roof, the materials and objects left over by the manufacturing workshops of Hermès Group and its brands (Puiforcat, cristallerie Saint-Louis, John Lobb, Le Crin, Verel de Belval, Créations Métaphores, etc.). With their involvement, these pieces of leather, silk, horsehair, ready-to-wear or furnishing fabrics, metal pieces and so on are given a new lease of life by leather/saddlery artisans, silverware experts, designers, master glass-makers and porcelain-makers, bootmakers, etc. This direct dialogue between ideas and artisans, using the material as a source of inspiration, leads to invention and unusual, innovative objects.

This dynamic has in particular led this year to a new collaboration with the designer François Azambourg who created an original use for leather during glass blowing which was presented in June at the D'Days festival.

Moreover, like each year, petit h went in pursuit of Hermès customers all over the world, with two flash sales. As a result, during the second quarter, petit h completely took over the old Hermès store in Rome for the first time. And at the end of November, petit h transformed the ground floor of the Maison Hermès in Seoul into an enchanted forest in which a life-sized leather tiger rubbed shoulders with rabbits, cockerels, monkeys and other animals.

Nomadic by essence, petit h nevertheless retains a permanent home at the entrance to the store on rue de Sèvres, Paris, where a selection of objects is presented throughout the year, with regular creative workshops open to all.

1.3.7.8 Shang Xia

The contemporary Chinese craftsmanship company passed a new milestone in its development. In fact, the year was marked by the opening of two concessions outside of China, in Hong Kong and Osaka in prestigious locations. As a result, from November, Hong Kong clients have been able to visit a Shan Xia area in the Lane Crawford department store that is devoted to the company's objects, furniture and fashion accessories. In December, Shang Xia entered the Japanese market with the opening of a pop-up shop in the Hankyu Department Store in Osaka, offering people the chance to discover the contemporary art of living in modern China.

The brand has also continued to grow in China with the opening in October of a store in Shanghai in one of the most famous commercial furniture centres in the country.

2017 also saw the collections enhanced notably with the launch of the new *Ming Yue* bag, whose cube shape is evocative of the travel boxes used in ancient China to transport tea services. The collection of exceptional objects welcomes the new family of *In Heart* furniture which marries the use of traditional precious materials such as marble and ebony with a resolutely modern design.

1.3.8 PARTNERSHIPS

1.3.8.1 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.

1.3.8.2 J3L

Hermès holds 30% of the share capital of J3L, a long-standing French supplier of the Group, specialising in metal parts destined principally for leather goods and fashion accessories.

1.3.8.3 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.

1.3.8.4 Vaucher Manufacture Fleurier

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

1.3.8.5 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 twilaine, 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.

1.3.8.6 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 house directed by Pierre Hardy, its founder and Artistic Director. This partnership further strengthens the links between Hermès and Pierre Hardy, Creative Director of shoes and jewellery at Hermès.

1.4 ACTIVITY BY GEOGRAPHIC AREA

1

	2017 revenue in millions of euros	2017 mix in %	2016 revenue in millions of euros	2016 mix in %	Changes	
					At current exchange rates	At constant exchange rates
Europe	1,799	33%	1,683	32%	6.9%	7.6%
♦ France	755	14%	719	14%	5.0%	5.0%
♦ Europe (excluding France)	1,044	19%	964	18%	8.3%	9.6%
Asia-Pacific	2,663	48%	2,502	48%	6.4%	9.2%
♦ Japan	717	13%	724	14%	(1.0)%	4.1%
♦ Asia-Pacific (excluding Japan)	1,946	35%	1,778	34%	9.5%	11.3%
Americas	996	18%	941	18%	5.8%	7.7%
Other	92	1%	77	2%	19.8%	19.9%
CONSOLIDATED REVENUE	5,549	100%	5,202	100%	6.7%	8.6%

1.4.1 EUROPE

In France, the Biarritz store reopened after significant renovation works. Established in 1926 in an art deco building in the avenue Edouard VII, at the foot of the Biarritz lighthouse, it represents one of the house's oldest footholds in French seaside resorts. The 110 m² store, which enjoys a breathtaking view of the ocean, has been completely renovated and decorated with mosaics and window displays in the Basque town's colours.

In Paris, the year was marked by several events. Women's ready-to-wear collections were unveiled in the prestigious setting of the Palais Chaillot, while men's ready-to-wear took over legendary locations such as the rotunda in the Salle Pleyel or the cloister of the Couvent des Cordeliers.

Again in Paris, in the nave of the Grand Palais, the eighth edition of the Saut Hermès was notable for its first night time competition. Seven years after it was created, this event confirmed its status as an unmissable sporting rendezvous, bringing together 50 riders from the global elite of international show jumping and 20 young talents from ten different nationalities. Ten sporting events, an equestrian show created for the occasion, a concert and several poetry or educational entertainments delighted 16,000 spectators.

The Grand Palais was also the venue at the end of the year for the *Hermès à tire-d'aile, the worlds of Leïla Menchar* exhibition, which was dedicated to the person who was the passionate designer of store windows for the house for 35 years. Her poetic and flamboyant world was presented free of charge to the public through a journey of eight theatrical sketches.

Continuing its world tour the *Fierce and Fragile: Big Cats in the Art of Robert Dallet* exhibition made a one month stopover at the Faubourg Saint-Honoré store. Organised in collaboration with Panthera, the international organisation for the conservation of big cats, the exhibition celebrates the beauty of these animals through 63 of Robert Dallet's works, while raising the awareness of viewers about the threats to their survival.

In London, 30 years after it was opened, the historical Sloane Street store has moved just down the road to 1 Cadogan Place. Occupying two floors of a 1950s listed building and bathed in natural light, the new store has doubled its surface area. It covers 380 m² in a warm leather-toned atmosphere, focusing on noble materials, leather, precious woods and silk. All of the house's product ranges are represented there.

Germany had a similar event with the relocation of the Munich store: exactly 30 years after it opened, it also moved a few metres away, still occupying a space on the prestigious Maximilianstrasse within the historic Münzarkaden. Behind the typical arcades, the new shop with a surface area of 620 m² presents collections from all of the house métiers on three floors linked by a remarkable central staircase.

In Greece, the Athens store has also been renovated. The sales surface area has been expanded to 175 m², divided into several areas which emphasise the house métiers in all of their richness.

Finally, in Denmark, Hermès has taken its concession back in house and relocated it to the heart of Copenhagen. Situated on Højbro Plads in the middle of the city centre, the new store occupies an impressive neoclassical building fronted by an arcade of 17 store windows. Inside, the various Hermes product ranges are displayed over almost 330 m², in a harmonious dialogue between local design and the house's own signature architecture.

In Italy, Hermès put on an event at the International Furniture Fair in Milan, involving not only presenting several new and highly acclaimed creations but also through the unexpected staging of wallpaper collections: these were displayed on the city walls, adorning several façades in the Brera district to the great surprise of the locals.

1.4.2 AMERICAS

In Brazil, Hermès continues to enhance its presence with the opening of a third shop, less than a year after the Rio de Janeiro store was opened. The house's second location in São Paulo, this new store is the only standalone space to occupy a full block of the famous Iguatemi commercial centre. With a surface area of 185 m², it is notable for the white façades surrounded by four naves inspired by 1950s South American architecture.

In the USA, a new shop opened in Palm Beach on Royal Poinciana Way in a 1950s listed buildings surrounded by gardens. It is particularly enormous with almost 430 m² over two floors and the store displays the 16 house métiers in a contemporary and refreshing interior atmosphere.

In March, Los Angeles city centre played host to *DwntwnMen*, a special event dedicated to men's ready-to-wear. The result of a collaboration between Véronique Nichanian, Artistic Director of the men's collection, and the graphic artist Anthony Burril, the event, based on the 2017 spring-summer collection, presented several playful and immersive installations inspired by staunchly optimistic slogans.

In Canada, the Toronto store reopened after moving to 100 Bloor Street West, not far from its former location. With 450 m² distributed over two floors, the store has a larger household area where furniture and lighting are displayed for the first time. For the opening, objects were specially created for Toronto.

Finally, in Mexico, the Monterrey and Guadalajara concessions were taken back in house and now have branch status.

1.4.3 ASIA-PACIFIC

In South Korea, the Maison Hermès Dosan Park has reopened after renovations, unveiling a completely new image and transformed internal spaces dedicated to the different house métiers. Ten years after it was created, this location is one of the most important cultural centres in Seoul, hosting numerous events and exhibitions devoted to Korean artists. A retrospective of activities during recent years, and the installation on the ceiling of the second floor of a work created specially by the artist Haegue Yang, illustrate this contribution of Maison Hermès to the Korean artistic scene.

In China, eight years after the opening of the first store in Kunming, the capital of Yunnan province, Hermès moved to this city known as the city of eternal spring. On the ground floor of the Ginko commercial centre in the heart of the city centre. The store offers collections of all house métiers in a 250 m² space whose refined design combines French elegance and oriental charm.

On the island of Taiwan, the Far Eastern Fuxing Sogo Store in Taipei has reopened its doors after being completely redecorated. Bathed in natural light, the new space extends over 260 m² distributed over two floors and includes a section devoted to the Maison Universe range.

Following renovations, two stores were also reopened in Japan in Tokyo: the Shinjuku Takashimaya and Yokohama Takashimaya stores.

In Malaysia, the Hermès Pavilion store in Kuala Lumpur has also been renovated and extended. It now incorporates, for the first time in Kuala Lumpur, a space devoted to the entire house product range. With a surface area of 250 m² over two floors, the store is notable for its impressive glass façade.

The year was enlivened by several events. The *Wanderland* exhibition continued its journey and in the spring was installed at the Power Station of Art, Shanghai's contemporary art museum. This enchanting stroll through an imaginary Paris, surrealist immersion in typical décor inhabited by objects from the house collections or archives, included a special contribution from the Chinese artist Wen Na. Widely reported on by the press and the social networks, the exhibition received almost 80,000 visitors.

The women's ready-to-wear autumn-winter collection was unveiled in Shanghai in a staggered and festive manner in a temporary location, the *Hermès Club*, which was created within the Long Museum in Shanghai. Designed by Bali Barret, the Artistic Director for the women's collection, with staging by Antoine Blatteau and featuring in particular an orchestrated show by Jean-Paul Goude, this event displayed garments, accessories, jewels and bags by means of eight moods inspired by the world of the night – nightclub, billiard room or musical. An exceptional setting for an evening which dazzled almost 1,400 guests.

The men's collection, for its part, in taking over the old airport for an evening themed around reversed directions. Called *Men Upside Down*, the event designed by Véronique Nichanian, Artistic Director of the men's collection, turned perspectives upside down in order to present the autumn-winter collection, from ready-to-wear to accessories. Between the severe and the escapist, this play on reversed directions enchanted over 2,200 guests who did not hesitate to proclaim it "the most beautiful party in Hong Kong this year".

In Japan, the travelling exhibition *Hermès at Work* (Hermès beyond the walls) stopped in Tokyo, in the effervescent Omotesando district. Thanks to an effective "buzz", 65,000 visitors came to see the house's craftsmen at work. At the same time, several conferences and film screenings organised at the Maison Hermès in Ginza complemented this opportunity to discover craftsmanship the Hermès way.

In Singapore, it was the Maison Universe that invited clients of the Hermès Liat Tower store to "pass through the walls" with the *Through the Walls* exhibition. Furniture, objects, fabrics and wallpapers playfully de-constructed spaces to create an imaginary store, a "store within a store" enlivened every weekend by entertaining workshops.

Finally, in Shanghai, Hermès began a worldwide cycle of exhibitions dedicated to the wealth of its heritage, *Hermès Héritage*. In choosing China as the first staging post, Hermès was celebrating the 20th anniversary of its arrival in China and emphasising its sincere commitment to the country. Called *Harnessing the Roots*, this first exhibition focused on horse harnesses and the innumerable transformations that they have inspired during 180 years of creative history.

1.4.4 HERMÈS POINTS OF SALE WORLDWIDE

Hermès products are available worldwide through a network of 304 exclusive stores. See page 16.

Hermès watches, perfumes and tableware are also sold through networks of specialised stores and in airport duty-free stores.

Europe

Austria: 2

2 concessionaires

Belgium: 3

3 branches:

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

Czech Republic: 1

1 branch:

- ◆ Prague

Denmark: 2

1 branch:

- ◆ Copenhagen

1 concessionaire

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

Germany: 17

10 branches:

- ◆ Baden-Baden
- ◆ Berlin KaDeWe
- ◆ Berlin West
- ◆ Cologne
- ◆ Düsseldorf
- ◆ Frankfurt
- ◆ Hamburg
- ◆ Hanover
- ◆ Munich
- ◆ Nuremberg

7 concessionaires

Greece: 1

1 branch:

- ◆ Athens

Ireland: 1

1 branch:

- ◆ Dublin

Italy: 16

11 branches:

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

5 concessionaires

Luxembourg: 1

1 concessionaire

Netherlands: 4

2 branches:

- ◆ Amsterdam De Bijenkorf
- ◆ Amsterdam PC Hoofstraat

2 concessionaires

Norway: 1

1 concessionaire

Portugal: 1

1 branch:

- ◆ Lisbon

Principality of Monaco: 1

1 branch:

- ◆ Monte Carlo

Russia: 2

2 branches:

- ◆ Moscow Gum
- ◆ Moscow Stoleshnikov

Spain: 5

5 branches:

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

Sweden: 1

1 concessionaire

Switzerland: 11

9 branches:

- ◆ Basel
- ◆ Bern
- ◆ Crans
- ◆ Geneva
- ◆ Gstaad
- ◆ Lausanne
- ◆ Lugano
- ◆ St Moritz
- ◆ Zurich

2 concessionaires

Turkey: 3

2 branches:

- ◆ Istanbul Nisantasi
- ◆ Istanbul Istinye

1 concessionaire

United Kingdom: 9

7 branches:

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

2 concessionaires

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

Mexico: 6

6 branches:

- ◆ Mexico Guadalajara
- ◆ Mexico City Masaryk
- ◆ Mexico Moliere
- ◆ Mexico Monterrey
- ◆ Mexico City Palacio Perisur
- ◆ Mexico City Santa Fe

Panama: 1

1 concessionaire

USA: 33

26 branches:

- ◆ Atlanta
- ◆ Bergen County
- ◆ Beverly Hills
- ◆ Boston
- ◆ Chicago
- ◆ Dallas

- ◆ Denver
 - ◆ Greenwich
 - ◆ Hawaii Ala Moana
 - ◆ Hawai Waikiki
 - ◆ Houston
 - ◆ Las Vegas Bellagio
 - ◆ Las Vegas CityCenter
 - ◆ Las Vegas Wynn
 - ◆ Miami
 - ◆ New York Madison
 - ◆ New York Men on Madison
 - ◆ New York Wall Street
 - ◆ Palm Beach
 - ◆ Philadelphia King of Prussia
 - ◆ San Diego
 - ◆ San Francisco
 - ◆ Seattle
 - ◆ Short Hills
 - ◆ South Coast Plaza
 - ◆ Washington
- 7 concessionaires

Asia

China: 24

23 branches:

- ◆ Beijing China World
- ◆ Beijing Park Life
- ◆ Beijing Peninsula
- ◆ Beijing Shinkong
- ◆ Chengdu Swire
- ◆ Chongqing Mixc
- ◆ Dalian
- ◆ Guangzhou La Perle
- ◆ Guangzhou Taikoo Hui
- ◆ Hangzhou Hubin
- ◆ Hangzhou Tower
- ◆ Harbin Mykal
- ◆ Kunming Ginko
- ◆ Nanjing Deji
- ◆ Ningbo Heyi Avenue
- ◆ Qingdao Hisense Plaza
- ◆ Shanghai IFC
- ◆ Shanghai Maison
- ◆ Shanghai Plaza 66
- ◆ Shenyang Mixc
- ◆ Shenzhen City Crossing
- ◆ Suzhou Matro
- ◆ Wuhan International Plaza

1 concessionaire

Hong Kong: 7

7 branches:

- ◆ Hong Kong Galleria
- ◆ Hong Kong Elements
- ◆ Hong Kong Lee Gardens
- ◆ Hong Kong Harbour City
- ◆ Hong Kong Pacific Place
- ◆ Hong Kong Sogo
- ◆ Hong Kong International Airport

India: 2

2 branches:

- ◆ Mumbai
- ◆ New Delhi

Indonesia: 2

2 concessionaires

Japan: 39

31 branches:

- ◆ Chiba Sogo
- ◆ Fukuoka Hakata Hankyu
- ◆ Fukuoka Iwataya
- ◆ Hiroshima Sogo
- ◆ Kobe Daimaru
- ◆ Kyoto Takashimaya
- ◆ Nagoya JR Takashimaya
- ◆ Nagoya Matsuzakaya
- ◆ Nagoya Mitsukoshi
- ◆ Okayama Takashimaya
- ◆ Osaka Hilton
- ◆ Osaka Midotsuji
- ◆ Osaka Pisa Royal
- ◆ Osaka Takashimaya
- ◆ Osaka Umeda Hankyu
- ◆ Sapporo Daimaru
- ◆ Sendai Fujisaki
- ◆ Tokyo Tachikawa Isetan
- ◆ 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
- ◆ Urawa Isetan
- ◆ Yokohama Sogo
- ◆ Yokohama Takashimaya

8 concessionaires

Kazakhstan: 1

1 concessionaire

Macao: 4

4 branches:

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

Malaysia: 3

2 branches:

- ◆ Kuala Lumpur Pavilion
- ◆ Kuala Lumpur The Gardens

1 concessionaire

Philippines: 1

1 concessionaire

Singapore: 7

7 branches:

- ◆ Singapore Changi Airport T1
- ◆ Singapore Changi Airport T2
- ◆ Singapore Changi Airport T3
- ◆ Singapore Liat Towers
- ◆ Singapore Marina Bay Sands
- ◆ Singapore Scotts Square
- ◆ Singapore Takashimaya

South Korea: 18

10 branches:

- ◆ Busan Shinsegae
- ◆ Seoul Dosan Park
- ◆ Seoul Galleria
- ◆ Seoul Hyundai Apkujung
- ◆ Seoul Hyundai CoEx
- ◆ Seoul Hyundai Daegu
- ◆ Seoul Lotte World Tower
- ◆ Seoul Shilla
- ◆ Seoul Shinsegae Gangnam
- ◆ Seoul Shinsegae North

8 concessionaires

Taiwan: 9

6 branches:

- ◆ Kaohsiung Hanshin
- ◆ Taichung FE21
- ◆ Tainan Mitsukoshi
- ◆ Taipei Bellavita
- ◆ Taipei Regent
- ◆ Taipei Sogo Fuxing

3 concessionaires

Thailand: 3

2 branches:

- ◆ Bangkok Central Embassy
- ◆ Bangkok Siam Paragon

1 concessionaire

Vietnam: 2

2 concessionaires

Middle East

Bahrain: 1

1 concessionaire

Lebanon: 1

1 concessionaire

United Arab Emirates: 6

6 concessionaires

Kuwait: 1

1 concessionaire

Qatar: 2

2 concessionaires

Oceania

Australia: 5

4 branches:

- ◆ Brisbane
- ◆ Gold Coast Pacific Fair
- ◆ Melbourne Collins Street
- ◆ Sydney

1 concessionaire

Guam: 1

1 branch

Saipan: 1

1 branch

1.4.5 DIGITAL STRATEGY

The Group's digital policy took shape in 2017 with the gradual roll-out of our new Internet platform. This website, which was launched initially in Canada in the summer and then in the USA in October, will be rolled out in the first half of 2018 in Europe, then in China at the end of 2018.

Conceived as a flagship store, it brings together editorial content and products with a single point of entry, so as to offer a unique and original digital experience. Editorial content reflects the diversity and originality of our designs and our mastery of our savoir-faire. They also provide information about the house's major events, such as ready-to-wear shows or exhibitions. This content is also circulated *via* the social networks (Facebook, Twitter, Line, Wechat, Instagram) in order to increase their visibility.

This strategy also enables our house to introduce itself to new clients to whom we offer a new in-depth e-commerce offering. All of the house métiers are represented there.

A more fluid, more rapid purchasing experience has been met with success so far in North America, particularly in terms of traffic and conversion rates.

In addition, the complete redesign of our website has enabled high-performance mobile searches and means that the majority of our visitors and clients are now using mobile platforms. The average visit time has radically increased.

In the medium term, this redesign is due to be enhanced by new client services in order to reinforce our omni-channel strategy. In 2017, the Internet was, as a result, the Group's leading store for ties, jewellery accessories and perfumes and in second position for silk scarves and women's shoes.

1.5 SIMPLIFIED GROUP ORGANISATIONAL CHART

1

1.5.1 OVERVIEW DESCRIPTION OF THE GROUP AS AT 31 DECEMBER 2017

HERMÈS INTERNATIONAL



HERMÈS BRAND				
RETAIL			WHOLESALE PRODUCTION AND DISTRIBUTION	PRODUCTION
<ul style="list-style-type: none"> Germany Argentina Australia Belgium Brazil Canada China, Hong Kong, Taiwan South Korea Denmark 	<ul style="list-style-type: none"> Spain USA France Greece Guam India Italy Japan Malaysia Mexico 	<ul style="list-style-type: none"> Portugal Principality of Monaco Czech Republic United Kingdom Russia Singapore Switzerland Thailand Turkey 	<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 	

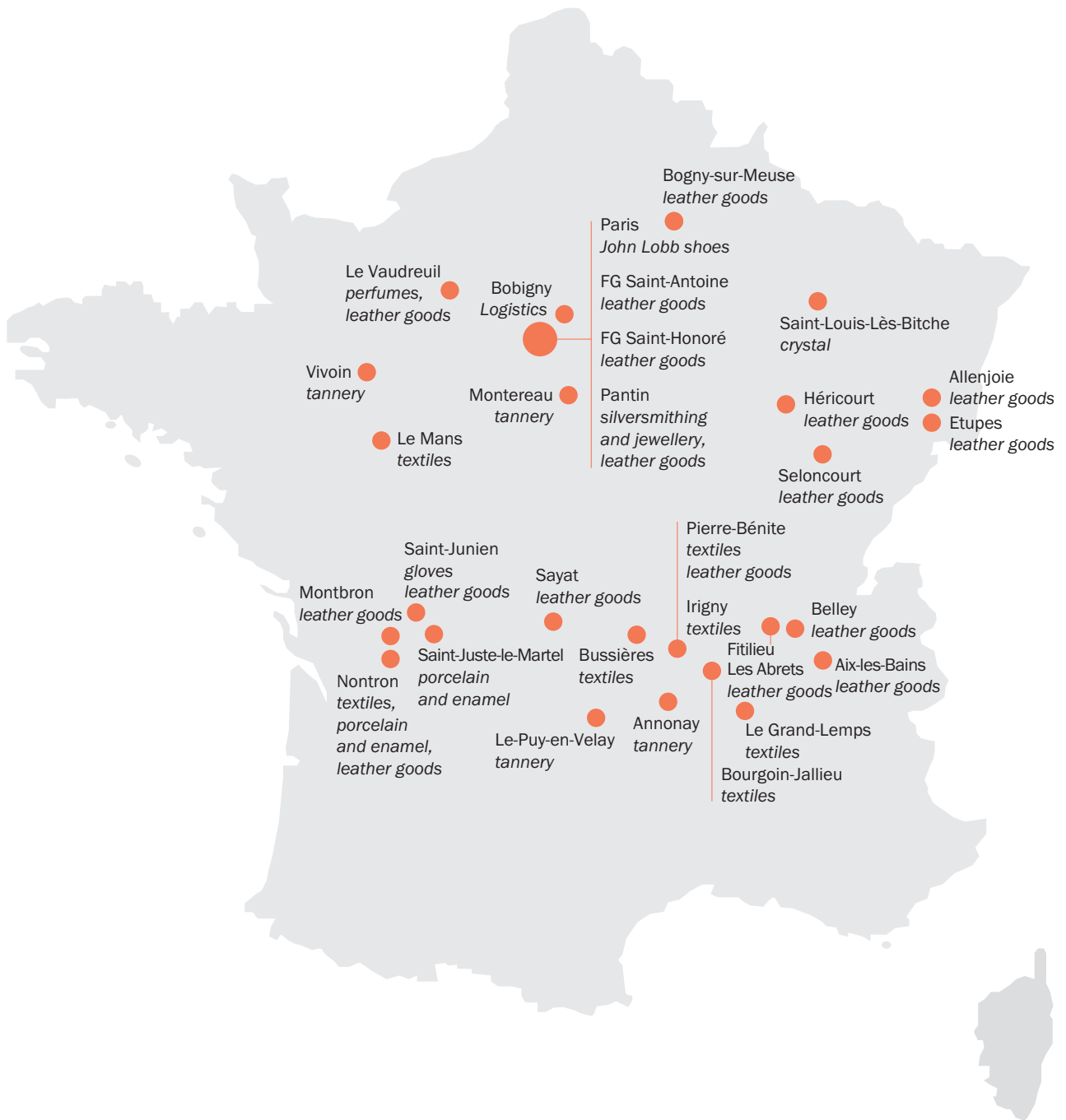
(1) Furnishing fabrics

The main consolidated companies as at 31 December 2017 (distribution subsidiaries and holding companies of the divisions) are listed in Note 32 of the consolidated financial statements.

1.5.2 PRODUCTION FACILITIES

The Hermès Group operates 52 production sites, including 41 in France, divided over 46 geographic sites (including 35 in France, 2 in Switzerland, 2 in the United States, 4 in Australia, 2 in Italy and 1 in Great Britain).

Sector	Company (production sites)
Leather Goods	Hermès Sellier (<i>Paris Faubourg-Saint-Honoré, Pantin-Pyramide, Pantin-CIA, Pierre-Bénite</i>)
	Maroquinerie de Saint-Antoine (MSA) (<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 Seloncourt (<i>Seloncourt, Héricourt, Etupes, Allenjoie</i>)
	Manufacture de Haute Maroquinerie (MHM) (<i>Aix-les-Bains</i>)
	Maroquinerie Nontronnaise (<i>Nontron</i>)
	Ganterie de Saint-Junien (<i>Saint-Junien</i>)
	Maroquinerie de Normandie (<i>Val de Reuil</i>)
	Maroquinerie Iséroise (<i>Fitilieu, Les Abrets</i>)
	Maroquinerie de la Tardoire (<i>Montbron</i>)
	Tanneries and Precious Leathers
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>)
Textiles	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>)
Silversmithing and Jewellery	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>)



1.6 PROPERTY

In Paris, the Group now occupies office surface of approximately 27,000 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 are also assigned to office premises in rue de la Ville-l'Évêque and rue d'Anjou, rented to third parties under commercial leases, and on a site located at rue du Faubourg-Saint-Antoine, which also houses a leather goods workshop.

In Bobigny, in 2017, the Group opened a new building on the logistics site that it owns, increasing its surface area from 21,000 m² to 28,500 m².

In Pantin, Hermès occupies 83,000 m² of manufacturing premises and office space in the town centre, most of which it owns, including the Jean-Louis Dumas Space, which opened in 2015 and the Cité des métiers, completed the year before and which won the prix de l'équerre d'argent 2014.

With regards to the production sites, the Group is the owner of 42 of the 52 units that it operates. (please refer to page 32 for a detailed list). A new leather goods workshop, located in the glove-making town of

Saint-Junien, in Haute-Vienne, together with the new leather goods site in Normandy located in the Val de Reuil municipality, were opened in 2017. Finally, work on our third leather goods unit in Allenjoie, in the Pays de Montbéliard, was completed at the end of the year.

Hermès products are sold worldwide via a network of 304 exclusive stores (a detailed list is given on page 27 to 30). Of the 304 Hermès exclusive retail stores throughout the world, 212 are operated as branches. Most of these are rented under long-term commercial leases intended primarily to ensure the continuity of operations over time. The Group also owns the buildings that house certain stores, including those in Paris, Ginza in Tokyo, Dosan Park in Seoul, The Galleria in Hong Kong, Beverly Hills in the US and in Geneva, Switzerland. Furthermore, the Group owns a commercial and office building in London which was acquired in 2009 and is let to an external tenant. The distribution of branches by geographical area is as follows: 71 in Europe (including 14 in France), 41 in the Americas (including 26 in the USA), 94 in Asia (including 31 in Japan), and 6 in Oceania.

1.7 FONDATION D'ENTREPRISE

2017 marks the tenth year of activities of the Fondation d'entreprise Hermès.

In creating the Foundation in 2008, the house's Senior Executives wanted to reinforce the impact of its sponsorship programme while ensuring its durability. Expand it, definitely, but how? The issue was to delineate our areas of intervention and equally the way in which we take action. Promoting savoir-faire, supporting creativity and encouraging the transfer of knowledge therefore became imperatives for us, while we decided to prioritise training in our métiers and the implementation of inventive and innovative projects in each of these areas. We are perpetuating the humanist values of Hermès by offering responses to the needs that we identify and that serve the public interest. Gradually, the shape of the Foundation and its methods of action were clarified, which led us to prepare very focused programmes that we designed and, for some of them too, became the operators on the ground.

For several years we have been giving thought to the actions we could take to promote craftsmanship within the Company and notably among the youngest generations. In 2016, we were therefore able to put in place our *Manufacto* programme, "la fabrique des savoir-faire" for which the agreement of the Paris board of education was decisive. The success of this first edition supported our wish to continue it in years to come.

Experiencing the "pleasure of doing" acts as a driver for discovering the métiers of craftsmanship while being a school for expression. In parallel, the third edition of the *Skills Academy*, dedicated to metal working, again brought together a large audience around the contemporary challenges related to expertise in the material. By addressing schools and professional audiences, each of these programmes expresses our belief that craftsmanship represents a métier that is both able to thrive and focused on the future. Although it is undeniably handed down as our heritage, savoir-faire is also undergoing constant change and is attentive to innovation: it forms a *de facto* part of the contemporary world.

In a complementary way, the Foundation is involved in the field of artistic creation. The cornerstone of our activity is encouraging freedom of expression by giving artists the time to create the methods that serve their purpose and by giving the public access to a sensitive, critical and political understanding. We have chosen to support contemporary forms – those that will be tomorrow's cultural heritage – by supporting the creation of new works. Whether it be *New Settings*, the *Foundation's exhibitions*, *artists' residential programmes* or *Immersion*, a *Franco American photographic commission*, all four programmes engage artists in working in environments that change the places where they are carried out. Taking artistic risks – whether on the stage of a theatre or production

unit workshops – contributes to the emergence of original forms. For ten years many creators have ventured successfully into new artistic and geographical territories thanks to the Foundation’s support. Many spectators and visitors have been moved, stimulated or even shaken by works of enormous intensity. The Foundation is pleased to contribute not only to the emergence of the most daring creations, but also to making them available to an increasingly large audience.

One of the strengths of a foundation like ours must be that it is firmly rooted within the Company itself. Eliciting the support and involvement of our colleagues has been made possible thanks to our shared culture. In this respect, the *H³, Heart-Head-Hand* programme plays a major role in understanding our public service role and in dialogue with our colleagues. During the two editions of the *H³* programme, these have enabled us to support projects that are remarkable for their relevance and their impact in the fields of the transfer of savoir-faire, access to culture and

preservation of biodiversity. In addition, the support we provide to WWF reinforces our commitment to *biodiversity*, through the continuing initiatives in this area, in partnership with Iddri, since the Foundation was created.

Acting to support the common good is an act of altruism which in itself involves respect for otherness, something that, in a complex world, it is all the more important to speak up for. Everyone we deal with, whether craftsmen, artists, volunteers or managers of public service organisations, embodies this responsibility to act for a peaceful and fair world. The exemplary nature of their creative acts is the driving force behind our activity.

This text by the Fondation d’entreprise Hermès appears in the complete activity report available at: www.fondationdentreprisehermes.org, “The Foundation” section.

1.8 RISK FACTORS

The Group has implemented a system to anticipate and control risk. This system is constantly updated to allow for regulatory, legislative, economic, corporate, geopolitical and competitive developments.

The main risk factors for the Group, taking its business model into account, together with a detailed description of its risk management system, are described in this chapter.

Risks linked to the operational strategy	Limiting industrial risks and respecting the environment
	Control over and protection of sourcing
	Balancing and safeguarding our distribution
	Minimising risks to property assets
	IT risk monitoring and prevention
	Protecting the health and safety of consumers
	Recruiting and training employees and craftsmen in the standards of excellence required by the Group
Legal and regulatory risks	Compliance with applicable laws and regulations in all areas
	Protecting and defending intellectual property rights and combating counterfeiting
Financial risks	Conservative cash management
	Control over exchange rate risk
	Control over counterparty risk
	Financial risks related to climate change

1.8.1 RISKS LINKED TO THE OPERATIONAL STRATEGY

1.8.1.1 Limiting industrial risks and respecting the environment

Description of the risk

The management of industrial and environmental risks is based on a common approach by the sustainable development department and the industrial department. It relies on a specific "HSE" network and the local Sustainable Development Committees as described in chapter 2.1.2.

Risk management

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 industrial departments sector 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 expenditure and investment are considered to be a priority when making budget choices.

The Hermès environmental initiatives are detailed in the sustainable development section (chapter 2) of this report.

Moreover, in order to fulfil the requirements of the law 2017-399 of 37 March 2017 on the duty of care, during the year Hermès Group established the "Compliance Committee", comprising representatives of the compliance department, sustainable development department, industrial affairs department, audit and risk management department and human resources department, in order to prepare a vigilance plan for all Group subsidiaries.

Every year Hermès performs and updates the Group risk mapping. In 2017, this mapping did not reveal any risks of breaches of human rights within the Group (see paragraph 2.3.7 Promotion and compliance with fundamental conventions on human rights).

Hermès Group manufactures the majority of its products internally, principally in France, and does not adopt a cost optimisation approach, particularly with regards to labour and the location of production units. It is not therefore seeking suppliers established in countries at risk. Finally, Hermès Group has long been committed to a responsible partnership approach with its suppliers. It enters into special partnerships with suppliers and producers based on ethics and trust by, in particular, promoting long-term relationships with them (see paragraph 2.4.4 Duty of care to suppliers).

1.8.1.2 Control over and protection of supplies

Description of the risk

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. In particular, their roles involve leading the community of buyers and supporting them on a daily basis in managing supplier risk using a range of complementary tools, as described in 2.4.4 Duty of care to suppliers.

Risk management

Hermès retains control of its production, with the majority of its products being manufactured in-house.

Hermès has developed long-term relationships with its partners and suppliers, thereby better protecting its supplies and critical know-how. Hermès carries out targeted audits to ascertain that its suppliers' operations meet the Group's expectations.

Drawing up sector 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.

1.8.1.3 Balancing and safeguarding our distribution

Description of the risk

The Group has 304 points of sale with the Hermès brand, including 212 branches which generate over 85% of revenue. A list of stores owned by the Group can be found on page 34.

Risk management

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.

Hermès relies on a distribution structure that significantly reduces client risk.

In addition to this, the exposure of sales to seasonal phenomena is limited: 51% of total sales were generated in the second half of 2017 (compared with 53% in 2015 and 2016).

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.

1.8.1.4 Minimising risks to property assets

Description of the risk

The presence of Hermès Group in the best locations for its distribution activities and the construction of quality buildings, living environments and work tools for its craftsmen and employees are a major challenge for the Group.

Risk management

The management of the Group's real estate operations is centralised within the construction development department which monitors quality, cost and deadlines. This contributes to the judicious control of critical issues:

- ◆ identifying and assessing the viability of locations for distribution and production facilities and administrative offices based on qualitative and technical criteria;
- ◆ securing our key locations through a detailed analysis of our rental commitments and associated risks;
- ◆ directly or indirectly overseeing key construction projects to ensure the work is properly carried out;
- ◆ supervising inspection plans for the Group's main sites, to ensure they conform to construction, safety and fire safety regulations. These inspections are supplemented by prevention system reviews carried out by the Group's insurers. In addition, the Property Safety Committee is responsible for overseeing potential risks and for ascertaining that Group safety rules are duly applied. It also systematically follows up on all action plans.

1.8.1.5 IT risk monitoring and prevention

Description of the risk

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.

Risk management

Hermès' expenditure on IT systems (equipment and maintenance) is comparable 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 sectors, to guarantee good operational performance, to keep IT-related risks under control and to prepare systems for the future, especially for new digital services.

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. IT security and Group procedure compliance audits were carried out by outside firms at the Group information systems department (DSI) and within major subsidiaries.

Work to further enhance the security of IT systems also entailed continuing to harmonise the different systems in use using a standard ERP system and a single Group accounting system.

As regards IT risk prevention, work carried out in 2017 focused mainly on enhancing the security of central systems, the management of workstations at Group level, the centralisation of access rights to facilitate their management, ensuring the security of internal and external access, protecting workstations, preventing leaks of confidential data and improving backup and breakdown tolerance mechanisms for critical systems to ensure continued operation in the event of an incident.

As is the case each year, internal, Wifi and external network intrusion testing and computer crash simulations were carried out.

The Group also ensures that it complies with various standards and regulations, for example, in the area of payment card data management (PCI-DSS) or personal data protection (GDPR).

1.8.1.6 Protecting the health and safety of consumers

Description of the risk

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.

Risk management

Hermès' products are regularly tested by laboratories in Europe, Asia and the United States, in order to verify that they conform to the most exacting regulations in the world, as well as to ensure their safety. Monitoring is carried out to analyse the development of regulations before drawing up product specifications.

1.8.1.7 Recruiting and training employees and craftsmen in the standards of excellence required by the Group

Description of the risk

The expertise of our craftsmen, and more widely that of our staff form the foundation of our sustainable development. Our uniqueness comes from preserving, enriching and passing on these often exclusive skills in a period of growth for our métiers and our workforce.

Risk management

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 or Textiles schools among others), and as part of numerous collaborations with external training organisations (as described in paragraph 2.2.1 Training).

1.8.2 LEGAL AND REGULATORY RISKS

1.8.2.1 Compliance with applicable laws and regulations in all areas

Description of the risk

The Group keeps abreast of changes in legislation and case law in all relevant areas to ensure that it complies with French and foreign laws and regulations. This monitoring is carried out by in-house and external firms.

Risk management

Internally, given the increasing complexity of each legal matter, the legal department is organised into skill divisions with specialists from the various main legal fields: intellectual property law, company law and stock market law, property law, business law (contracts of all kinds, competition, distribution, consumer). Employment and tax matters are respectively handled by the Group's human resources and finance departments, which work in conjunction with the legal department.

A compliance committee was created in 2017 (see 1.8.1.1, page 36).

Externally, in each region where the Group operates, Hermès is advised by leading 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 twelve months have had, a significant impact on its financial condition or profitability and/or on the financial position or profitability of the Group.

1.8.2.2 Protecting and defending intellectual property rights and combating counterfeiting

Description of the risk

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 business activities are affected by the scourge and, most particularly, the Leather Goods sector.

Risk management

The Group owns a particularly large number of brands and domain names which is regularly growing to include new classes of products and services, for example, and new geographical areas.

For this reason a specific team within the legal department is dedicated to these issues. The Group also ensures that all its new and existing creations are properly protected, with numerous design patents filed both in France and elsewhere.

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 legal department with the support of external advisers and in collaboration with the competent local authorities as regards intellectual property and the fight against counterfeiting. A team of lawyers specifically dedicated to this issue is responsible every day primarily for finding and discontinuing disputed advertisements published on online sales platforms, and to identifying and closing down online sites offering counterfeit products for sale. Hermès is also active on social networks. Active monitoring is carried out in order to remove false profiles and to withdraw all content that breaches the rights of Hermès Group. In this context, Hermès carries out investigations which are often very difficult and whose purpose is to enable the counterfeiters responsible for the sites to be identified and to take action against them.

These actions enable several hundreds of thousands of counterfeit products to be seized and destroyed every year, and the source of these products to be identified, the Group's rights to be recognised, and the payment of damages to redress the loss suffered.

1.8.3 FINANCIAL RISKS

1.8.3.1 Conservative cash management

Description of the risk

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

Risk management

Treasury and currency management is centralised by the Group's treasury management department and adheres to strict management and monitoring rules. Administrative management and operational control are ensured by the middle & back office department, notably via the use of integrated cash flow software.

Furthermore, the audit and risk management department (A&RMD) oversees proper compliance with risk monitoring and management procedures.

On a monthly basis, the Treasury Security Committee ascertains that these procedures have been followed and that any risks identified have been addressed. 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. In addition, counterparty risks on financial transactions are monitored on an ongoing basis by Hermès International's treasury management department. Most available cash is invested for the short term, mainly in money-market mutual funds offered by leading financial institutions, in term deposits and in deposit certificates issued by top-rated banks, with very low sensitivity.

Quantitative information on interest rate risk impacts is provided in Note 22.3 to the consolidated financial statements.

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 accommodate changes in its environment.

1.8.3.2 Control over exchange rate risk

Description of the risk

Description of the risk The Group is naturally exposed to exchange rate risk. Nearly all of its production is in the eurozone and it carries out the majority of its sales in currencies other than the euro (American dollars, Japanese yen and other Asian currencies). It hedges this exposure in order to minimise the impact of currency fluctuations on the Group's profits.

Risk management

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, which automatically concentrates the foreign exchange risk on the manufacturing subsidiaries;
- ◆ 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.

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 Internal Audit department ascertains 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 in accordance with the policy described below, 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 next 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.

Quantitative information on foreign exchange risk impacts is provided in Note 22.2 to the consolidated financial statements.

The treasury management 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.

1.8.3.3 Control over counterparty risk

Description of the risk

As the Group has a positive cash flow 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.

Risk management

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. Lastly, the Group has no exposure to any material risk of dependence on a single counterparty.

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.

1.8.3.4 Financial risks related to climate change

Hermès believes that the financial risks to its business related to climate change are not currently significant (Article L. 225-100-1 of the French Commercial Code (*Code de commerce*)). The Group is implementing a low carbon strategy and is applying a certain number of measures to reduce its energy consumption and emissions, from supplies, manufacturing sites and its stores. In addition to these in-house efforts, Hermès has been implementing since 2012 a voluntary Group carbon offsetting scheme (Fonds Livelihoods).

1.8.4 INSURANCE POLICY

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 coverage is supplemented by a prevention/engineering programme: prevention inspections were carried out at 90 production and distribution sites in 2017. The recommendations issued are monitored using a stringent, formally documented system;
- 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 three years at 1 January 2016 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 €70 million, and the deductibles vary from €1,000 to €10,000;
- 3) the transport of products between the 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 2017 for a period of 24 months. The coverage limit is €10 million per claim and €20 million for the period, and the deductible thresholds are €25,000;
- 5) cyber risks. Like each year since 1 January 2013, the policy with Zurich Insurance 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 had been subscribed to fulfil specific requirements, particularly in the context of building operations (new work or renovation) carried out as project managers. In 2017, these policies were not the subject of significant claims.

1.8.5 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 chapter 1.9.

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

1.8.5.2 Control environment

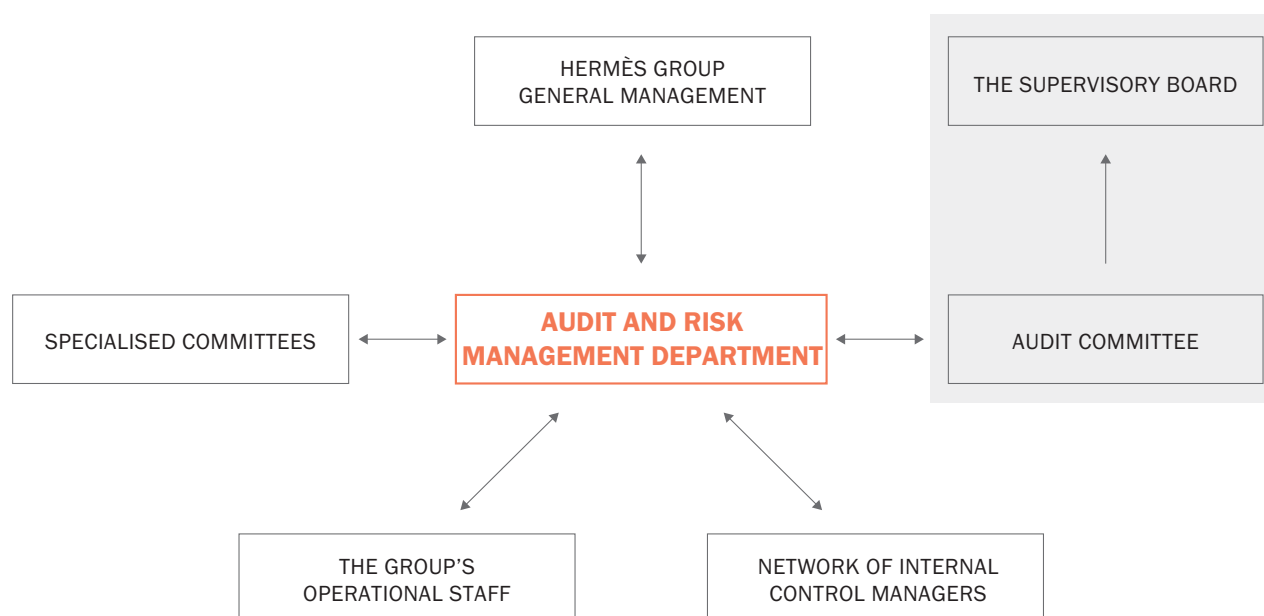
While Hermès has attained the stature of an international group, it has also retained its human dimension, with family ideals. The Company is dedicated to a culture and spirit of craftsmanship and seeks to cultivate strong values among its employees.

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 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 control environment which forms their common base, and more specifically, on the Company's ingrained risk management and internal control culture, management style and corporate values. With this in mind, to underpin the risk management culture promoted by the Group, a formal ethics charter was adopted and disseminated to its employees in 2009. In 2013, it was completed by the business code of conduct, that sets out the behaviour expected from Group employees. Both documents were updated in 2016. They are available on the Company intranet and have been 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.

1.8.5.3 Scope of the risk management and internal control system

The Group's risk management and internal control mechanisms are applicable to the parent company and to the controlled subsidiaries, as they are presented in the notes to the consolidated financial statements.

1.8.5.4 Parties responsible for risk management and internal control systems



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 effectiveness of the risk management system and its adequacy for meeting the Group's strategy objectives. To this end, it is provided with audit reports 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 Committee

The Audit 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 Committee were formally documented in rules of procedure drawn up by the Supervisory Board in 2010 and regularly updated. The latest version appears on page 169. 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 Committee.

Each meeting of the Audit Committee gives rise to written minutes that must be approved. At each meeting of the Supervisory Board, the Chairman of the Audit Committee gives the Board a report of the work of the Audit Committee. A list of the work carried by the Audit Committee in 2017 is provided on page 154.

In 2016, the Audit Committee also conducted a self-assessment as part of the triennial formal self-assessment of the Supervisory Board.

It was also decided in 2017 that the updated IT risk mapping be shared with the Audit Committee on an annual basis.

Audit and risk management department (A&RMD)

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

The A&RMD carries 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.

It 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 the light of best practice. In 2017, entirely revised by a specialist external firm.

The A&RMD coordinates a network of around 50 employees responsible for internal control, in France and abroad, within the business lines, 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 formalising the duties and responsibilities of the internal auditors and their professional conduct and detailing their audit engagements was released and circulated in 2010. 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. The Head of audit and risk management attends Audit Committee meetings. He meets with the Audit Committee six times a year, including once without the presence of third parties. He presents a report on the Audit Committee's activity each year.

Internal control managers

Internal control managers oversee the implementation of the internal control system within their scope, businesses, 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 A&RMD, 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 key 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 A&RMD.

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 A&RMD, 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.

During the year, Hermès Group introduced the "Compliance Committee", comprising representatives of the compliance department, sustainable development department, industrial affairs department, audit and risk management department and human resources department, in order to prepare a vigilance plan for all Group subsidiaries. It should be noted that a Chief Compliance Officer was appointed in 2017.

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 Financial Executive Vice-President, 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.

1.8.5.5 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 A&RMD.

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 A&RMD.

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 annually. 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 Committee. The Group risk mapping is also used as a starting point for A&RMD'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.

The A&RMD carried out a specific mapping exercise concerning the risk of fraud, with action plans monitored.

In 2017, a process of preparing corruption risk mapping was initiated with the support of a specialist external firm, in cooperation with the Chief Compliance Officer who will manage the process from 2018.

The A&RMD 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. A&RMD 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.

1.8.5.6 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 A&RMD verifies the implementation of the general IT controls during the audits. In this context, A&RMD 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 A&RMD 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 management 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 management department.

A full audit of payment flows was carried out by an external firm in 2017.

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 "CHIC" ("Check your Hermès Internal Control") IT tool run by the A&RMD. The self-assessment focuses on a general internal control questionnaire (CHIC Practices), whose framework is prepared having regard to 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 com-

pleted 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 analysed on a centralised basis, in order to identify areas for improvement and control priorities for the following year.

The internal control managers are involved in the self-assessment, and are in charge of monitoring the action plans. The A&RMD 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 A&RMD 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 become more dense and now provides fine-meshed internal control within the main entities. As part of its role as coordinator for the network of internal control managers, the A&RMD 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. 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.

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

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 new “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 November 2016. This chapter has been prepared by the Executive Management with the assistance of the Audit Committee and the relevant functional departments.

Other internal control and risk management procedures are described in chapter 1.8 “Risk factors”.

1.9.1 OBJECTIVES OF RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS 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;
- ◆ 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.

1.9.2 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 business 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 of Governance and Organisational Development, member of the Executive Committee, who ensures the implementation of adequate methods (organisation, skilled resources, tools) and oversees A&RMD responsible for the internal control and risk management initiative;
- ◆ the Executive Vice-President Finance, member of the Executive Committee, who ensures the implementation of an initiative:
 - 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 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 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 the information systems;
- ◆ that individual accounts are controlled to ascertain that they comply with Group accounting standards and practices and to verify their consistency prior to integration of the consolidation packages, *inter alia*;
- ◆ that systems are in place for analysing the accounts, such as reviews conducted by the auditors, verification of consolidation transactions, ascertaining that IFRS have been properly applied, analysis of internal transactions, etc. The reporting and consolidation procedures call for the controls required to ensure the reliability of financial information.

Finally, in the context of these audits, A&RMD coordinates its work with the Statutory Auditors in order to ensure the consistency and effectiveness of their joint involvement.

2

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2.1 INTRODUCTION

2.1.1 ALL ARTISANS OF OUR SUSTAINABLE DEVELOPMENT!

For more than six generations, Hermès has been nurtured by values of craftsmanship which have shaped its development and, in parallel, its relationship with the wider world. These values, embodied and conveyed by its leaders and equally by its employees, have been enriched by the lessons learned by artisans. Hermès is a genuine "land of hands", and has fostered in everyone this spirit of craftsmanship that makes the House so unique in many respects, not least of which in terms of sustainable development. The concept of craftsmanship at Hermès, which employs more than 4,500 craftsmen in production activities, is a concrete reality. Through proximity and internal networking it nourishes all employees.

Sustainable development at Hermès is anchored in the enduring determination "to do well". The characteristics of craftsmanship enable a better understanding of this state of mind and the meaning of Hermès's actions in this area:

- ◆ responsibility: handmade leather objects are the work of a single person who masters all the steps necessary for their fabrication and is responsible for their 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 alone are worthy of serving to create objects of exception. This accountability also remains throughout the product's future life, and each craftsman takes a view that goes well beyond the production process. This keen awareness of the consequences of our actions accordingly begins upstream and reaches well downstream of production itself. Responsibility is a value which is consistent with craftsmanship, and one of the catalysts of the Company's approach to sustainable development. It is an internal requisite that is even stronger considering that the House controls a large number of the parameters of its activity;
- ◆ authenticity: artisans take pleasure in highlighting the "authenticity" of beautiful raw materials, those that show themselves as they are, that hide nothing from the hand or eye, that are candid and harbour no deception. They eschew resorting to less than perfect material, even when the end result may seem acceptable. This attitude, this demanding outlook in respect of quality, is reflected in the attention paid to all the aspects that comprise an artisanal object and its craftsmanship. Linings are given the same attention as outer fabrics, pieces that are hidden from view have the same importance as what is shown. Just as they are scrupulous with their materials and their work, the Hermès artisan – like all employees who work for the House – has a clear-eyed, engaged view of their relationship with their economic, social and ecological environments. They are aware of their limitations and imperfections, but are also ever mindful of the challenges underpinning the House's values of excellence. Sustainable development is pursued in this spirit of sincerity, excellence and continuous improvement. It is built on achievements more than on abstract commitments. It pursues long-term effectiveness rather than self-promotion;

- ◆ time to work well, together: Hermès artisans, and the entire House, have come to take the same view over the years – seeing time as an ally, something that allows them to work well, to absorb a subject's internal or external perspective and to cultivate the qualities of each and every one. Ultimately, time gives a just perspective to things. When learning how to craft an object, it is unthinkable to skip a step to save time. Each step is part of a continuum; all are essential. This approach also serves to learn to complete what we have begun. This way of working has guided us and encourages us to implement responsible policies and practices in a participatory approach, focusing on the quality of the end result, happily taking the necessary time, while taking account of the necessary pace of sustainable change for employees, our partners and the natural ecosystems.

This is how sustainable development echoes the House's founding values. These values are a powerful engine for a family group that produces more than 70% of its objects in house and therefore controls most of its value chain. It is built on the transmission of a sustainable development culture and the coordinated implementation of numerous initiatives, with a preference for a decentralised approach and local initiatives. Sustainable development is anchored in our métiers, our subsidiaries and Hermès International services, and also Petit h and the Fondation d'Entreprise Hermès. Our ambition is that we are all "artisans of our sustainable development".

Corporate social responsibility (CSR) is the way by which Hermès integrates social, environmental and economic concerns into its activities and its interactions with its stakeholders on a voluntary basis.

2.1.2 GOVERNANCE

Since 2007, the Company's sustainable development actions have been overseen by a **Sustainable Development Committee**, in which two members of the Executive Committee play an active role alongside the heads of the human resources, industrial affairs and distribution departments, as well as the heads of two métiers (Leather Goods and Silk) and the management of the Fondation d'Entreprise Hermès. The Committee, which is organised by the Sustainable Development Department, met five times during the year, with each meeting providing an opportunity to take stock of strategic challenges, to decide on the implementation of operational projects and to hear reports by managers on the progress of their sustainable development initiatives.

The **Group Sustainable Development Department**, which reports to a member of the Executive Committee, implements strategy, oversees the operations for the Group and its subsidiaries, both in France and internationally. It monitors accomplishments, coordinates the operation of various committees (including the Sustainable Development Committee and the Group Operations Committee), assists local committees and manages cross-cutting projects. In 2017, it hosted 15 in-house seminars in France and internationally. It ensures the cohesion of the entire

system, manages internal communications, takes part in external communication and helps share best practices.

The **Group Operations Committee** meets every two months; it comprises the heads of the House's main corporate functions (approximately 15 people). It analyses and validates projects' technical and functional aspects, facilitates information sharing and serves as a collective decision-making body providing a pragmatic perspective on sustainable development challenges. The involvement of its members is essential to projects' concrete implementation. It met four times in 2017 and organized a learning expedition in a company pioneering in this field in France.

Each of the House's main métiers and key subsidiaries has its own **local Sustainable Development Committee**. These committees, formed to launch and monitor initiatives, share their achievements at regional meetings or through the best practice observatory on the intranet. As specified in the "environment" chapter, initiatives in this area are driven more specifically by a "**HSE network**" run by the industrial department. These committees carry out operational initiatives, and play a role in internal management and communication with teams.

For example, in 2017, Hermès China took a proactive approach, with the creation of a Strategic Sustainable Development Committee, which has three Management Committee members, a Sustainable Development Committee in Shanghai with 11 members and a network of 23 ambassadors in stores. Still in Asia, members of the Japan, Korea, China, Taiwan, Singapore and Hong Kong Sustainable Development Committees met for three days for the fourth consecutive year to share their operational practices. They are thus gradually becoming a regional repository of skills in this area.

2.1.3 TOOLS

The Group has developed and regularly updates a number of tools to support and implement its approach. Committee work and operational decentralisation are facilitated by the dissemination of these tools, all of which have been constructed using a participatory approach that facilitates their adoption.

The House's ethics are enshrined in a forty-page **ethics charter** published in ten languages and distributed to all employees. It aims to promote the corporate project and reaffirm the Group's commitment to certain fundamental principles in the way Hermès relates to its stakeholders and wider society. It is given to all new employees when they join the House. The Chief Compliance Officer oversees this area. A **code of business conduct**, also available in ten languages, sets out the House's guiding principles on a range of operational matters. It lays out a matrix alert system by geography and by function. The content and operating modes in relation to these two documents are set out in section 3.2.1 of this document.

The "all artisans of our sustainable development" **strategic framework** was distributed to all employees in 2015 and serves as a basis for the work of each one. It focuses on the most significant issues in terms of the values of the House, the Company's durability, and its responsibility towards its social, ecological and societal environments and towards its stakeholders. It sets priorities in accordance with a materiality principle. It ensures that objectives are consistent and provides a framework for decentralised initiatives. The métiers and subsidiaries are invited to report on their initiatives and their ambitions annually on the basis of this document, during the half-year budgetary exercise, and are interviewed by the Sustainable Development Committee about their major challenges.

This strategic framework is organised around six pillars which signpost the footprint that Hermès wishes to leave on the world: people, the planet and communities where we operate.

People:

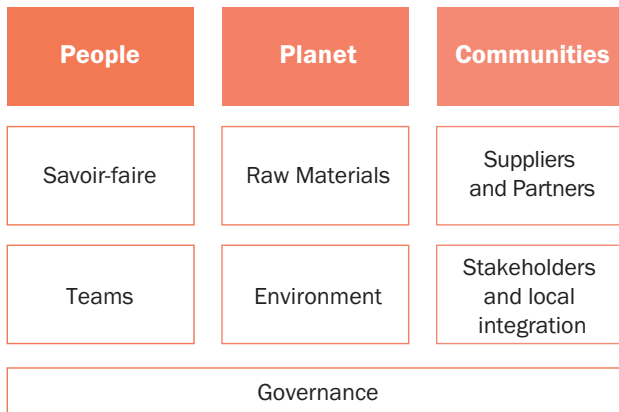
- ◆ Hermès oversees the development and transmission of its craftsmen's **savoir-faire**, and more widely, that of our staff which form the foundation of our approach to sustainable development. The framework primarily specifies priorities in the areas of training, skills development, sharing of savoir-faire within teams and between generations. The development of production methods that are respectful of craftsmen and of the environment is one of the major focuses of work.
- ◆ the satisfaction and professional fulfilment of **employees**, and promoting their diverse talents, are a driver of sustainable growth, and as such a matter for special attention; The framework has highly ambitious requirements for working conditions, human relationships and the scrupulous attention to be paid to the health and safety of our employees, harmonious labour relations, well-being and balanced lives. It asserts a strong commitment in the area of diversity and solidarity, particularly towards those who are experiencing difficulties or have a disability.

Planet:

- ◆ the durability of our business depends primarily on the future availability of the high quality **materials** that are key to the Hermès' unique character. Hermès protects and respects the exceptional natural resources that are used to produce its objects; The framework sets out major ambitions for our supply chains, particularly for natural materials with regards to their environmental and social footprints. It emphasises our ambition to improve how these materials, which are all precious, are used in order to avoid waste. Significant attention is paid to managing waste from the point of manufacture to the end of product lives.
- ◆ Hermès is constantly seeking long-term and ambitious but pragmatic solutions to better preserve **the environment**. The framework confirms our ambition to control our impacts throughout the value chain, from the agricultural sector, upstream from production processes, through to the distribution activity. This section sets out our challenges in the areas of controlling industrial consumption (water, energy, etc.), managing waste emissions and industrial waste, reducing the environmental footprint of sites and the carbon offset policy.

Communities:

- ◆ the Group’s ability to grow is linked to the development and durability of its **suppliers and partners**, who are leading players in the field of high quality products and services, but also in social and environmental endeavours. The framework specifies the concepts developed in the ethical charter (see 3.2.1.2), with ambitious objectives to improve our knowledge of and continue to support our partners in confronting quality issues as well as ethical, social and environmental challenges that they may encounter, with the required level of vigilance.
- ◆ Hermès ensures dialogue and the development of harmonious relations with its **stakeholders** and plays a role as a responsible company wherever it operates. The Group reaffirms this objective for our corporate regional responsibility. In particular, it involves opening up to stakeholders, skills sponsorship activities, support for local and disadvantaged communities, for example, through the Livelihoods project.



Teams also have access to other tools, including:

- ◆ “Ambitions”, operational sustainable development guidelines which provide shared language and serve as support for the actions of the operational teams. They help each entity, depending on its activity, to identify the main areas in which it can take initiatives. It is naturally consistent with the strategy’s six pillars;
- ◆ specific technical guidelines, whether in terms of construction, supplier relations, guidance on applying the ethics charter in specific contexts, or eco-actions. This year, a reference card on eco-actions in the logistics area joined the first three pamphlets on this subject (offices, stores, manufacturing sites);
- ◆ a dedicated intranet site (“Harmonie Hermès”), designed to inform employees and share best practices. It also houses all documents useful for local teams. This year has seen the addition of the collaborative “Agora” platform which enables more than 120 ambassadors to share their daily activities.

Hermès supports the UN’s commitment to sustainable development and in particular the Global Compact, an agenda for action for organisations focusing on ten universal principles (including: human rights, international labour standards, environmental protection and anti-corruption). In 2015, the UN adopted this sustainable development pro-

gramme, featuring 17 Sustainable Development Goals (SDGs). Hermès ambitions are aligned with these 17 goals, which are summarised in the six parts of this report. The group’s action is therefore taken within the scope of a broader objective, whose purpose is to make a tangible contribution in certain areas, which are within our reach.

2.1.4 SCOPE

The information in respect of sustainable development contained in this report covers all group subsidiaries and sites. This scope is explained in sub-section 1.5.2 and 1.6. The Hermès Group operates 52 production sites (41 in France), spread over 46 geographical locations, (including 35 in France, two in Switzerland, two in the United States, four in Australia, one in the United Kingdom and two in Italy), including the Bobigny logistics platform. Hermès goods are available worldwide through a network of 304 exclusive stores. The Group occupies 27,000 sq.m. of office space in Paris. In Pantin, the Group also has production and office spaces including the Espace Jean-Louis Dumas opened in 2015 and the Cité des Métiers, which won the *Équerre d’argent* prize for 2014.

2.1.5 FACILITATION OF INITIATIVES

The Group’s subsidiaries and entities initiate and monitor numerous sustainable development projects each year; these are led either by their Management Committee, or by *ad hoc* committees. Cross-functional committees, led by Hermès’ head office departments, manage issues that are of common interest and often of a medium-term nature. For example, the committees work on issues relating to recycling and materials innovation, sustainable construction, logistics etc.

The Sustainable Development Department coordinates the activities conducted by the Parisian sites and manages a schedule of internal events in France that involves regular events that are held throughout the year, such as conducting donation drives for clothing, toys and books, participation in sporting events and Earth Hour, a honey harvest, social support baskets, and so on.

In 2017, the Group strengthened its commitments in the area of local charitable initiatives through a note circulated to the distribution subsidiaries abroad, which sets out the operating and financial methods that they must follow. Actions during the year are set out in paragraph 2.7.2 as part of our relationships with our stakeholders.

All Ile-de-France sites and subsidiaries organise operations with their employees during the European Sustainable Development Week; this is the opportunity to share more widely with employees, challenges in this area, the Group’s strategy, its achievements and to open up to the wider world.

In 2017, the Ile-de-France sites enthusiastically participated in events that raised employee awareness on topics such as recycling, biodiversity and well-being at work. For example, around 100 employees and their children had an opportunity to attend a private screening of the film “L’Empereur” which was also attended by its director. A discussion period enabled them to better understand the challenges posed by climate change. Furthermore, various educational workshops on sorting

waste materials were organised. They focused the participants' attention on the consequences of our daily actions. Donation drives for clothing, books, and odd socks were very successful. An event relating to food waste made it possible to raise awareness among teams on how to take advantage of unused food generated by restaurants (fruit and vegetables).

The distribution subsidiaries outside France have for some years now embraced this recurring approach of the Sustainable Development Week. For example, since 2013, Hermès of Paris, the American subsidiary, has been offering a Sustainable Development Week in the autumn, including an internal competition this year on promoting in-store eco-actions. China, during its dedicated week highlighting sustainable lifestyles, organised a planting initiative on the Chongming peninsula. The Hong Kong subsidiary highlighted the recycling of materials.

Throughout the year, subsidiaries work on eco-actions and working conditions. Hong Kong and Taiwan are measuring, for example, reductions in paper and energy consumption (offices and stores), and tonnages of paper recycled locally. Partnerships have been entered into with "green" cleaning suppliers. Different actions to promote well-being in the workplace have also been implemented: quiet spaces, stress management, modifications to uniforms and shoes, sporting activities, dietary awareness etc.

For their part, the métiers have introduced a number of initiatives:

Leather Goods

In 2017, a quarterly sustainable development & environment committee, chaired by HMS executive management, was implemented to manage Roadmap activities associated with the "All artisans of our sustainable development" strategic framework.

To strengthen this approach, cross-functional committees make it possible to manage the various issues identified in our action plan in a very operational manner.

In addition to the strong actions undertaken at all our sites to make the best use of materials, an operational monitoring and innovation committee was bolstered, in order to implement new concrete solutions within the House.

An Occupational Health & Safety Committee supports and guides all of our initiatives, which have been conducted for many years, focusing on the health and well-being of our employees.

The role of a "technical council" made up of experts within the House is to guarantee and pass on the know-how of saddlery and leather goods craftsmen.

Finally, in order to support our growth in a principled manner, our construction projects for new leather goods workshops incorporate an "environmental" and "local integration" approach from the beginning of each project. Our "new leather goods workshop" committee ensures that these goals are properly implemented, including during the commissioning and operation of new sites.

All of these committees inform and are informed by networks in which the leather goods workshops are key players.

Tanneries

Within the Tanneries and Precious Leathers division, the "sustainable development" roadmap was developed in collaboration with the members of the Management Committee for the 2016-2018 period. It was presented to sites in 2016 then rolled out locally in 2017, with action plans being implemented throughout the year.

Textiles

The roadmap developed in 2015 remains the foundation for initiatives within the Textiles division. Workshops to raise awareness of sorting issues were organised at production facilities, together with sales of local, short supply chain food products for employees. To encourage car-sharing and the use of electric vehicles, the number of dedicated parking spaces has been increased. We have a long-standing partnership with an external company to collect textiles.

Perfumes

At Hermès Perfumes, specific information is regularly provided on environmental issues. Following the Sustainable Development day organised in 2016, three bee hives were installed, with a partner, at the Vaudreuil site in April 2017. On a voluntary basis, employees of the CNP were introduced to bee-keeping throughout the year by the bee keeper who installed and monitored the hives. The first harvest took place at the end of July and pots of honey were distributed to all employees. The CNP has also just acquired two electric vehicle charging stations which will be installed at the very beginning of 2018.

In collaboration with the sustainable development department, more than 130,000 bars of soap that were destined to be destroyed were transformed and distributed to voluntary organisations. The packaging was removed from the bars of soap by local ESATs¹ so that new ones could be made from them and were redistributed by a partner in France.

Hermès Maison

CATE employees participated in several organised activities as part of Sustainable Development Week: a mobility challenge, initiation in the prevention of TMS (Repetitive strain injury), an organic market, waste sorting awareness raising, creating a flower meadow and, finally, a collection for Restaurants du Cœur.

A CSR working group was formed to lead the approach and discussions at the production unit in this area; in particular, it was involved upstream in defining sustainable development priorities for a project to refurbish the Nontron site. In May 2017, during the Sustainable Development Week, Beyrand employees were able to find out, through eco-action workshops, about how to reduce energy consumption and environmental impacts. A "Positive Energy Family" challenge was launched at the end of the year. It brings together volunteer craftsmen who focus on reducing their energy consumption during the winter through the use of eco-actions.

(1) ESAT: Establishments and Services which provide Assistance Through work, medico-social establishments whose purpose is the social and professional integration of adults with disabilities

2.2 SAVOIR-FAIRE

The savoir-faire of our craftsmen, and more widely that of our employees are essential for our long-term development on sustainable foundations. Our craftsmanship model is based on passing on culture and savoir-faire as part of a “what we received, we give back” mentoring approach.

Hermès has **developed training schools internally** for its major craftsmanship métiers: leather goods, textiles, tannery, enabling this savoir-faire to be perpetuated and handed on. We work upstream in **promoting the art and craftsmanship métiers to young generations**, through our local actions (open days, links with schools) or with the support of our Fondation d'Entreprise Hermès (for example, the Manufacto programme). Allowing young people to discover and become involved in a manual métier is essential; these are often misunderstood and yet offer future prospects. We contribute **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 craftsmen in the arts area). For example, we have one of the largest textile divisions in France in the Rhône-Alpes region (800 people); the division is the home of many forms of weaving and silk printing savoir-faire that we are seeking to maintain.

Our ambition is to ensure that this often exclusive savoir-faire is preserved, enriched and passed on in a period of growth for our métiers and our workforce.

The priority is to strengthen and develop individual expertise, increase versatility, establish knowledge sharing within teams and ensure that it is passed on from generation to generation, and preserve our talents. The excellence and range 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 the craftsmen (for example see section 2.3.5 Work environment) and the environment.

The Group is honoured to have **12 EPVs** amongst its ranks: the following Group companies were certified “Entreprises du Patrimoine Vivant” in 2017: Hermès Sellier, Holding Textile Hermès, the Établissements Marcel Gandit, Ateliers A.S., Siegl, the Ateliers de Tissage de Bussières et de Challes, Beyrand, Cristalleries de Saint-Louis, Puiforcat, John Lobb and Les Tanneries du Puy.

2.2.1 TRAINING

The Group's University, schools and academies continued to offer an increasing number of training options.

In 2017, Hermès Group devoted 240,000 hours to training, including 123,000 in France. The 12.5% increase in France compared with 2016, is explained by the major investment in leadership development and in training on products and on regulatory constraints (ethics and anti-corruption). This number does not reflect the entire training effort, since it does not include “on-the-job” training directly at the workspace.

Hermès is continuing to develop its growth model based on a culture of continuous progress. In particular, this involves supporting employee development in order both to support excellence and efficiency in terms of savoir-faire and operations, and protecting their employability, ensuring a solid understanding of the Company's culture and bringing to life a consistent managerial culture that is a source of value.

2.2.1.1 Université Ex-Libris

In 2017, the Group's Ex-Libris University trained more than 1,000 people through its 20 personalised training programmes. These programmes concentrate on two essential issues: sharing culture and developing leadership.

600 people attended in-house training programmes in Paris, highlighting Hermès culture and the richness of its expressions.

This university offers a range of diverse training options, which are adjusted and regularly updated. It offers a set of sequential programmes tailored to several management and maturity levels:

- ♦ residential seminars which give managers a unique setting in which to share experiences, and acquire expertise and practical tools. These seminars also provide inspiration and an opportunity to build relationships with managers of other Hermès métiers and operations;
- ♦ co-development strategies to support local managers and Management Committee members over time.

In 2017, the focus was placed on developing employee leadership. The Hermès management culture has been even more precisely defined through four key competencies: making people more accountable and supporting their growth, encouraging continuous progress, uniting and managing. Through this shared framework, Hermès' ambition is to make its managers even more involved in promoting collective efficiency and the personal growth of employees. Training programmes for managers at different levels, Executive Vice-Presidents, Management Committee members and local managers were delivered to 120 individuals in 2017.

A new programme, “Alterego”, was delivered to 168 managers in 2017, with the objective of familiarising them with diversity management through four themes: disability, religious beliefs, gender and intergenerations. The roll-out of this programme will be completed for all managers in France in 2019. Through this wide-ranging initiative, Hermès' intention is that people be made aware of differences and the reality of diversity, that they are aware of the challenges and problems of managing diversity in a balanced way and that they are provided with the keys for understanding and taking action on all aspects of this complex subject. This forms part of our preparations for the implementation of our Disability Agreement in 2018.

The “Sales & Service Leader” programme has been deployed in nearly all regions and has allowed 220 store managers to improve their managerial skills through two, two-day modules: People Developer and Team Manager. A bespoke programme which takes into account the reality of a multi-dimensional role involving encouraging and enthusiastically leading our store ambassadors.

In the area of sharing corporate culture, 600 employees took part in programmes aimed at improving their understanding of our identity, history and corporate project in the form of three-day or seven-day sessions provided in Pantin at the Espace Jean-Louis Dumas. The objectives of these sessions are to anchor a sense of belonging to Hermès and to reflect it in one’s daily actions, and to disseminate our culture. They create an internal network of “cultural torchbearers”, which is growing every year and is a means of disseminating the characteristics of craftsmanship and specific processes which are so dear to Hermès.

Lastly, more than 80 employees attended a project management training programme. This supports the change from a vertical managerial culture to culture that is more horizontal and cross-functional. In particular, it emphasises support during periods of change.

The French HR community – 120 participants – was invited to a day aimed at disseminating new digital techniques on issues as varied as Facebook, LinkedIn, Pim (the management of catalogues produced for e-commerce), Hello (the functionalities of Outlook), Omnicanal, Big Data, the Cloud, virtual reality, HermèsSphère (the future digital internal workplace), Jobijoba (a job board), Chatbots, digital performance, Instagram, collaborative tools, Google, and an application for managing queues in the 24 Faubourg store. It was a very enjoyable day of learning, opening up fascinating areas which developed everyone’s appreciation of digital issues, dispelled preconceptions and convinced the HR function stakeholders that digital has become an essential and flexible tool to improve the customer experience and that of employees.

2.2.1.2 The Leather School

Every year Hermès recruits craftsmen, few of whom have received initial training in leather goods. Its responsibility is to train them in their new métiers.

In 2017, 1,140 people were trained as part of 12 programmes delivered by the Leather School as part of the continuous training of craftsmen in Hermès’ Leather Goods & Saddlery division.

The Leather School pursues an active policy of training leading to a certified qualification and this aimed both at employees in post and new arrivals in order to recognise the value of their expertise and to maintain their employability.

In addition, as initial training, the Leather School’s activities have supported the awarding of 157 CAP vocational qualifications in leather working, 79 people received the saddler and leather worker *Selliers Maroquinières d’Art* diploma, 4 people the *Métiers d’Art du Cuir & de la Maroquinerie* diplomas/craft-specific training, 8 people received professional cutting qualifications, and as part of the assessment of vocational experience (VAE), 24 people received CAP vocational qualifications in leather-working, 12 received Certificates of professional experience in cutting, 1 received the technical diploma in leather goods, and 4 received Certificates of vocational qualifications in prototype construction. As a result, more than 280 certified qualifications were obtained by our employees this year.

There has been a high level of support for trainers and tutors – around 85 individuals – through facilitation and training initiatives for the network of 10 training managers, 12 cutting trainers and 26 leather-working and mechanics trainers (almost 50 full-time trainers) and 37 tutors. They are key stakeholders in the growth of the Leather Goods division where the transmission of knowledge is an essential driving force. Trainers and tutors received support in the form of meetings at which they shared their experience and received regular training in areas such as communications, personal development and education.

New partnerships were established with the Jean Monnet vocational School in Juvisy sur Orge and the Turquetil vocational School in Paris. Three new dedicated classes were set up within partner establishments through the secondment of trainers from the Pantin workshops.

Finally, identification and individualised follow-up enabled 39 craftsmen to take part in Hermès events worldwide in 2017.

2.2.1.3 The School of Tanners

The School of Tanners and its entertaining discovery methods and the *Tanneur Mégissier* vocational qualifications have also been further developed in 2017 for tannery craftsmen.

2017 also saw the ramping up of the transmission of savoir-faire module for almost all executives and supervisors at all of the French tanneries. As part of a shared networking approach between the different tanneries, participants were made aware of the methods of both individual and collective transmission, making their workshops into a place of learning and continuous improvement. Individual support was provided after one, three and six months to each of 35 participants in order to support and monitor them in the introduction of practices in tannery.

As part of the recruitment policy, the “Jeunes Tanneurs Programme” is being continued for the sixth year. Chemical engineering students in their final year are recruited to spend four times six months at four different tanneries (in two different countries) learning about four different métiers. This pathway boosts managerial maturity and technical expertise.

In the tanneries in Cuneo, Annonay and Puy en Velay, a generation of young talented individuals increased their responsibilities this year. To support these high technical potential employees, training in local management has been designed and implemented specifically for them.

Much thought has been given in 2017 to the positioning and approach of support functions for tannery production. In the area of safety, a training module on operational safety has been rolled out to craftsmen and managers. This approach to managing safety, associated posture and a positive vision of the issue, has also been shared as part of an inter-tannery seminar which concluded with a local action plan involving each site during 2018.

Managing production flows has also been the subject of particular attention and of a seminar on the exotic hides sector. The role of supply chain professionals in tanneries has been clarified in coordination with production departments.

2.2.1.4 The School of Textiles

The skills involved in the major stages of the Textiles sector have been standardised in order to draw up the basic principles of Textile Craftsmanship. This is a framework of shared benchmarks giving everyone shared points of reference and assuring a high quality of knowledge transfer.

The 2016-2018 action plan has been continued with the objective of securing textile expertise. The various training programmes of the School of Textiles were deployed at a constant pace in 2017, benefiting more than 250 employees in the sector as a result.

“The silk scarf – an iconic product”:

a programme intended to introduce iconic products from the Textiles sector in order to pass on HTH’s creative heritage was followed by 37 participants over 4 sessions.

“The hand of the product”:

a programme to familiarise people with the touch and feel of a product was followed by 18 participants over 2 sessions.

“Résonances”:

a programme to provide an artistic and cultural outlet linked to design, colouration and product development in order to encourage inspiration and creativity in the teams in question. It is for employees in the colouration, development, heritage and innovation departments who took part in two events in 2017: a visit to the Arles festival and a visit to Ensatt, involving 53 participants.

The HTH division joined the CIME (*Cercle de l'Innovation en Management des Expertises* - circle of innovative management of skills) in order to take part in shared discussions about the Textiles sector and to encourage innovative approaches.

Senior employees continue to transfer their skills to junior employees on an organised basis prior to their retirement.

The recruitment of up-and-coming printers in training has resumed in order to ensure that craftsmen who will retire in the near future are replaced.

The continuing in-sourcing of the *couturier métier* acts to reinforce tailoring savoir-faire.

In addition to the School of Textiles, the sector continued a major initiative aimed at transforming managerial culture through the Management in Practice programme. 117 people took part in one of 16 half-day workshops.

2.2.1.5 Hermès Maison

At the CATE, the professionalisation plan was finalised with an external training course for employees in difficulty, internal mentoring and a collective event on mastering savoir-faire. Six employees who are experts

in decorating porcelain benefited from a ceramics decoration vocational qualification programme. This certified vocational qualification allows them to improve their expertise and makes them aware of their responsibilities, while developing their versatility and making full use of the experience they have acquired during their careers. The training course takes place in two stages: a training programme of 90 hours delivered by the AFPI (French association for professional training in industry) and an internal training programme of 200 hours.

At *Beyrand*, a continuity plan has been put in place to bring forward the transfer of printing-specific savoir-faire. A first printer on a vocational training contract was able to join this programme in 2017. The development of individual expertise also takes place through a multi-competence plan developed within all of the site’s departments in order to provide flexibility to the organisation. It has enabled increased agility in order to serve two differently paced métiers: Porcelain and Enamel through versatility.

Puiforcat has continued to implement its continuity plan in response to the challenge of transferring polishing/brightening savoir-faire through the mentoring of young people by older employees.

“Live my life” experiences have enabled craftsmen to learn about another skill in order to gain a better understanding of the production chain.

To improve versatility, individual training initiatives targeting the acquisition of new skills (for example, a carver trained in engraving) have been offered to craftsmen. In addition, technical training targeting the acquisition of new areas of savoir-faire (new technologies) that are complementary to our traditional manual skills have been introduced. At the end of the year, candidate selection sessions enabled positions to be offered to two young craftsmen (a silversmith and a polisher), following people leaving both posts (internal and external mobility). Versatile craftsmen are also in demand. As a result, one of our carvers took part in an engraving training course at the École Boule.

Puiforcat is continuing its training programme for young recruits.

2.2.1.6 Cristallerie Saint-Louis

12 employees from the production unit had their professional skills recognised with certificates of inter-branch vocational qualifications (eight for operating industrial equipment and four for team leadership).

Cristallerie Saint-Louis undertook more than 10,000 hours of internal training for almost 50 employees thereby supporting their employability and versatility.

In addition, in order to improve the transfer of savoir-faire, the role of Cold Glass Skills Manager was created.

As in 2016, in order to involve employees in the Saint-Louis’ creative offering and to improve their savoir-faire through technical pieces, 31 craftsmen in six teams were encouraged to propose and carry out projects as part of an internal competition highlighting exceptional pieces, diamond cutting and perfume bottles.

2.2.1.7 Hermès Perfumes

All managers – 80 employees in other words – took part in a self-awareness session using the Process Com tool. Similarly, all managers received internal training from the Human Resources team in assessing and managing the performance of their employees.

2.2.1.8 The distribution network

As regards quality, sales and service, over 1,430 sales associates followed the “Sales & Service Ambassador” training programme over a total of 155 sessions. Designed centrally and delivered locally by in-house or external trainers, this training covers six themes, from the moment a customer enters the shop to when they leave. 12 sales associates from all over the world gathered in Paris to celebrate and highlight the excellence of in-store service with the “Hermès One of a Kind” programme. These 12 sales associates have been acknowledged by their peers, managers or customers as having demonstrated exemplary attitude, narrative talent, or provided excellent service to their customers and/or their colleagues. The twice-yearly seasonal training session, “Train the Trainer”, takes place each season in Paris and is attended by around 20 international trainers who will then deliver the key messages of the collection to the markets across product lines, as well as boosting the sales of each division. A half-day “Ethics and anti-corruption” module allows skills to be improved in order to protect the Hermès brand and improve customer relationships. Security issues are discussed in order to inform and alert retail teams about the consequences of non-ethical behaviour and to train them in the correct way of reacting. As a result, in 2017, over 1,700 persons gained awareness of these notions whose goal is to ensure honest conduct.

2.2.2 SHARING

2.2.2.1 New employees

As part of the “Attelage” programme, all new recruits are allocated to a male or female sponsor who plays this role for the first three to six months in order to help them take their first steps at Hermès, to understand the Company and to find their bearings so as to integrate successfully.

The “Mosaïque” integration programme provides three days of training for new employees in France and, more widely, in Europe. In 2017, 330 employees were able to discover Hermès in all its forms, its history, vision, human values, the uniqueness of objects, savoir-faire, communication, service culture; all of the themes that reflect the corporate model and offer a hospitable welcome to the House.

“H Immersion” is an orientation programme, over a two to three-day period, for every new sales associate in every Hermès region. In 2017, this module, which is adapted and implemented on a local basis benefited 1,009 retail employees over 137 sessions. It provides the tools for welcoming customers with ease and for proudly wearing Hermès’ colours.

In Greater China, Hermès has held the 50th “H Tree” session, the four-day regional integration programme covering culture, values, craftsmanship and products which took place at the Shanghai store so as to guarantee a genuine Hermès experience. Since 2011, more than 1,000 Hermès Greater China employees have taken part in the H Tree programme, including 62 people in 2017 and 5 sessions.

In the Textiles division, the “Au fil d’HTH” programme was deployed over four sessions with 54 participants to let them learn about the diversity of textiles métiers, its players and production locations. A third version of HTH Artes, an assimilation and textiles training programme, was held for newly recruited executives.

Within Hermès Of Paris, 82 new head office and store employees followed the “Inside the Orange Box” programme.

At Hermès Perfumes, two “Premiers pas Hermès parfumeur” integration sessions enabled new employees to acclimatise to the subsidiary’s strategy and activities.

2.2.2.2 Tandem

Since 2008, Hermès has continued to offer its craftsmen and sales associates an original cultural and operating exchange experience through a one-week immersion in the craftsman’s workshop, followed by one week in the sales associate’s store. The Tandem programme’s purpose is to bring together two worlds connected by their shared purpose, which involves serving and satisfying our customers with beautiful objects and high quality service. This could involve a trip in France or abroad to one of our 50 production units, or to one of our 300 stores. 56 people have benefited from this programme – through 28 Tandem experiences – and they have gained an expanded view of the other person’s sector and valuable personal development. Each of the participants discovers an awareness and recognition of their savoir-faire and participates in disseminating the culture of craftsmanship within the Company. Since the launch of this programme, there have been over 420 weeks of exchanges conducted throughout the world.

2.2.2.3 Parcours d’Adresse

Since 2011, the year celebrating “Hermès contemporary craftsman since 1837”, “Parcours d’Adresse” have been held to enable the discovery of a complete business division from its raw materials to the completion of the finished product and its quality control. Seven different themed programmes have been designed within the leather goods, watches, perfumes, crystal, porcelain and ready-to-wear métiers. For a one-week period, 10 craftsmen, randomly drawn from among volunteers, are invited to learn about the different production stages of a particular division’s product, while experiencing its technique for a few days through a technical initiation. A period of discovery strongly enhanced by discussions between craftsmen with the same frame of mind, namely a passion for their métier which is the sum of their specific knowledge, in order to seek the same level of excellence in their craftsmanship. In 2017, 90 craftsmen took part in one of the “Parcours d’Adresse”. These are organised with care and hospitality by the host production sites and contribute to the dissemination of Hermès’ culture.

2.2.3 RECRUITING AND SUPPORTING

The hermesemployeur.com website has been attracting numerous candidates since 2014, applying speculatively or in response to job offers.

In 2017, 69,240 candidates applied on our site and we recorded more than million visits. More than 2,000 offers (permanent and fixed-term contracts, work placement, block release) were published in 2017, representing an average of 168 each month. More than 730,000 new users consulted the Hermès employer website, with France being by far the country with the greatest numbers of visitors to the site.

Internal mobility is one of the Group's strong points. It is mainly promoted through the My Way internal platform, which displays all job vacancies, and through the coordinated work of the human resources department members who attend monthly Internal Mobility Committee meetings. The objective is to retain our talented people and offer varied careers enabling them to develop rounded skill sets, particularly in terms of managing teams. In 2017, 528 vacancies were advertised on this platform and 38 vacancies were filled internally. Hermès attaches great importance to exploiting the full potential of this internal development lever for its male and female staff, through annual interviews, career-related interviews and a follow-up on the biennial talent review that took place in 2016.

Within the Leather Goods division, around 70% of non-artisan positions (and over half of executives) were filled internally.

In 2017, HMS continued its growth by relying as much as possible on internal mobility, in keeping with the House's employee development policy.

Finally, in 2017, 17 saddlery and leather/saddlery artisans participated in Hermès events throughout the world (HHLM, store openings, demonstrations, short leather workshops, and so on).

In a context of a high level of employee loyalty, the Textiles sector has introduced a Mobility Committee process by including Site Management Committees and managers and is closely monitored by the Human Resources community.

Hermès Perfumes has taken the initiative of introducing a half-day, collective recruitment session for interns with the goal of improving knowledge of the company, enabling managers to be involved in the assessment and to describe the heartbeat of Hermès Perfumes' activity. From a large number of applications received, 39 people were preselected and 9 were taken on. This initiative which was popular with young students will be repeated in 2018.

An active internal mobility policy within Hermès Perfumes produced 23 internal transfers, 3 internal transfers from the Group to Hermès Perfumes and four internal transfers from Hermès Perfumes to the Group involving more than 350 employees.

At Hermès of Paris, our US subsidiary, there were 41 internal promotions. 37% of managerial positions were filled through internal promotions.

With respect to geographic mobility, 94 employees changed location, region or country, including 68 artisans and 26 executives and technicians. Among the 68 artisans, 12 moved abroad and 10 returned to their native country.

In terms of 2017 recruitment, apart from artisans, 103 permanent positions were filled, including 66 through internal mobility (64%) and 37 by way of external recruitment (36%). 10 of these 37 recruitments resulted from transfers from fixed-term contract to permanent contracts.

In addition, 10 employees from the provinces, mostly artisans, were assigned to positions at the Pantin site, within the studio, the Design Office and the Technical Services Department..

In 2017, constant work on LinkedIn resulted in the House being ranked 5th "top attractor" on the network. This ranking illustrates the relevance and impact of the House's presence on LinkedIn. The LinkedIn page has been translated into eight languages, has over 186,000 followers and 6,000 visits per month. As the main source of recruitment for some subsidiaries, it is a publication network, but also a way of identifying members who could be of interest to various human resources departments.

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

The Group's accomplishments in relation to "know-how" are in line with the following SDGs. (The numbers refer to the United Nation's official typology):

No. 4: Quality Education:

- ◆ 4.3: "Equal access for women and men to quality vocational training".
Access to professional training for women and men within the House is encouraged by the internal Ex-Libris university and internal schools, as well as by more specialised external training.
- ◆ 4.4: "Increase the number of youths and adults who have relevant skills, including technical and vocational skills, for employment".
Know-how is maintained through training plans that focus on employees' entire career paths, and are supported by more specialised activities. 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 know-how and revive any knowledge that is declining. Hermès also provides support to schools through the apprenticeship tax, and by offering apprenticeships.
- ◆ 4.7: "Education to promote sustainable development".
Raising employees' awareness of sustainability takes place throughout the year, through the efforts of the Sustainable Development Department (see 2.1.2), and locally by the sustainability ambassadors' network (EHS, Sustainable Development Committees, local committees).

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 col-

lection involves the Artistic Director and the House’s métiers, resulting in a profusion of creativity. These actions are also recognised by the Entreprise du Patrimoine Vivant (Living heritage enterprise), which contribute to the Group’s efforts to protect and maintain artisanal know-how. Moreover, the Fondation d’Entreprise is committed to supporting live performances and contemporary photography.

2.3 PEOPLE

Since 1837, Hermès has based its long-term project on the quality of the men and women who joined the company, often for the long haul. Participating in the collective adventure, they make a successful contribution to Hermès' activities through their sense of belonging, their commitment and the ability they are given to develop every day thanks to the diversity of their responsibilities and the quality of management.

With almost 13,500 employees worldwide, of whom 62% are in France, Hermès is continuing to develop its creative, craftsmanship and sales projects around diverse teams, with almost half in the French Production sector. With a presence in more than 30 countries and a majority of women employees (67%), Hermès provides close support to its managers so that they develop, on a daily basis, a responsible management style, which is capable of embodying the Group's values and culture and a dynamic vision of continuous renewal. Social success is as important as economic success. Exercising this enlightened leadership is not a matter for improvisation: management is a demanding job, which is learned and cultivated over a whole lifetime, through confrontation, experimentation, by forging links with other managers and through the training provided by the Company.

Communicating our corporate culture at all career stages, combined with a raft of development and leadership initiatives help to increase employee commitment and pride at contributing to the Group's growth. They are the catalyst for our labour relations. They contribute to the success of our initiatives in the area of diversity and how we take disability into account.

In this context, scrupulous attention is paid to employees' health and safety, with an uncompromising and pragmatic approach, site by site and sector by sector.

Conditions for employee development and fulfilment are achieved thanks to the attention paid to a positive environment which involves, for all workplaces, investments made in acquiring expert knowledge and reinforcing skills. The professional context within the Company allows every person to find their place, make a commitment, fulfil themselves and grow in accordance with their responsibilities and roles. We are convinced that our customers are only happy when our employees are happy.

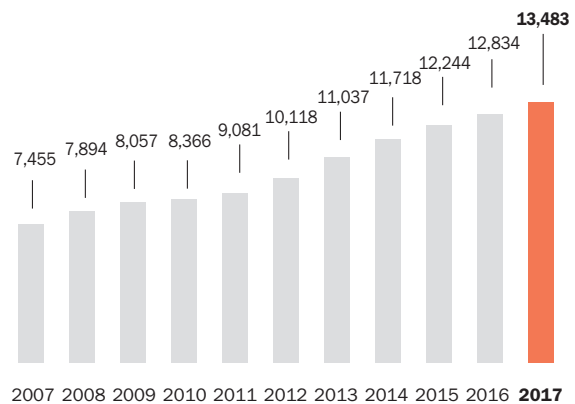
Numerous internal communication initiatives enable the corporate project and Group's values to be shared and this attitude, which is so characteristic of the House, to be nurtured.

2.3.1 FIGURES

2.3.1.1 Workforce

GROUP WORKFORCE

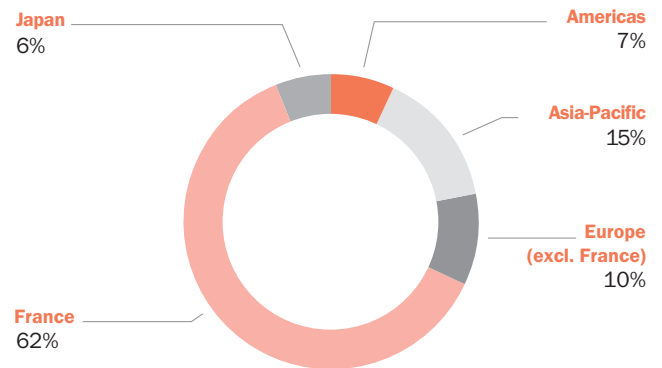
The workforce within the Hermès Group includes active permanent staff members and people on fixed-term contracts of more than nine months, including apprenticeship contracts. The permanent active staff represents 95% of the Group workforce. Increasing by roughly 81% over the last ten years, the Group workforce was equal to 13,483 people as at 31 December 2017.



WORKFORCE BY GEOGRAPHICAL AREA

Employee numbers have increased in all regions, to support the Group's development.

This growth is most stable in France.

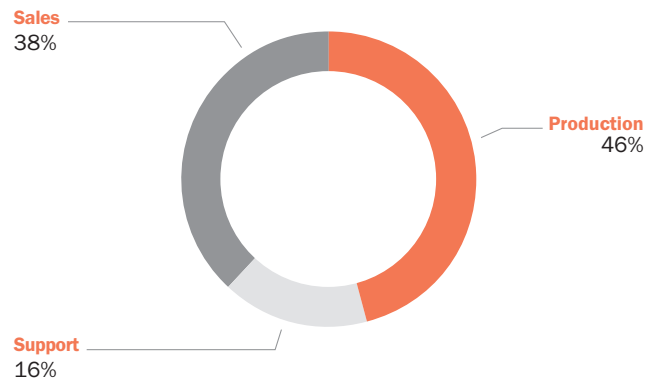


Geographical area	2016	2017	% growth	Distribution of additional jobs
Americas	871	938	8%	10%
Asia-Pacific	1,980	2,041	3%	9%
Europe (excl. France)	1,351	1,421	5%	11%
France	7,881	8,319	6%	68%
Japan	751	764	2%	2%
GRAND TOTAL	12,834	13,483	5%	100%

WORKFORCE BY DIVISION

The Group has retained balanced growth by maintaining a stable breakdown by segment.

The Production sector has 92% of its employees in France.



Sales staff include:

- ◆ all people in direct contact with customers in stores, such as sales associates, cashiers, hostesses, store security staff, etc.;
- ◆ specialised networks (perfumes, watches, etc.), and all individuals who work with intermediaries, sales representatives, export managers, etc.;
- ◆ all people in direct contact with finished goods and in indirect contact with clients, that is, employees who work in distribution but who are not directly engaged in selling.

Production staff include:

- ◆ all stakeholders taking part in the physical production of finished goods;
- ◆ all people in indirect contact with finished goods, that is, employees who work in production without taking part in the actual process of physical production.

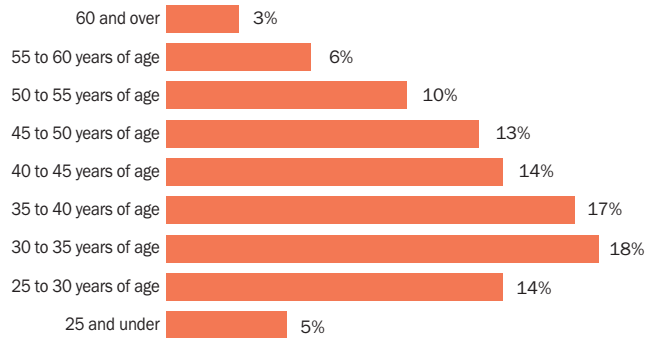
Support staff include:

- ◆ all people who use a specific skill or savoir-faire in design or other creative fields;
- ◆ all people who are members of departments such as Group management, finance, human resources, administration, legal, IT, press, public relations, etc.

2.3.1.2 Demographic data

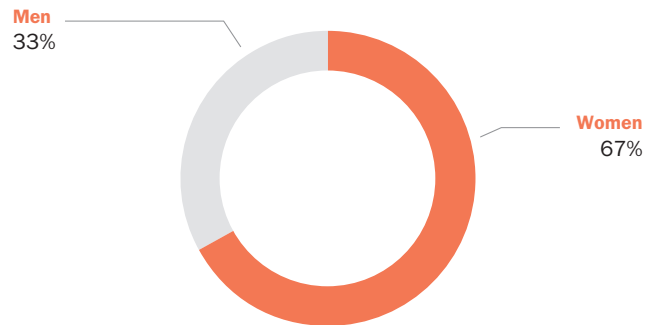
WORKFORCE BY AGE

The distribution of the Group's workforce by age remained stable. The average employee age is 40.



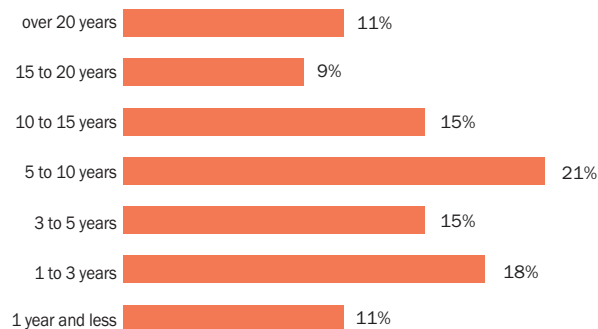
BREAKDOWN BY GENDER

The Group is largely made up of women (67%, a figure comparable with that in 2016), who are represented at all hierarchical levels and in all business activities. The Group's policy is to guarantee total non-discrimination in the treatment of its employees.



SENIORITY PYRAMID

Average seniority is nine years and 44% of the 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 has been with the Group for more than ten years.



2.3.1.3 Employment

The last ten years have not required 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 lay-offs involved 72 people in 2017 (94 in 2016).

As part of its strategy to preserve and develop its supply sources, the Group opened a new leather goods workshop in l'Allan, in Franche Comté, in 2017.

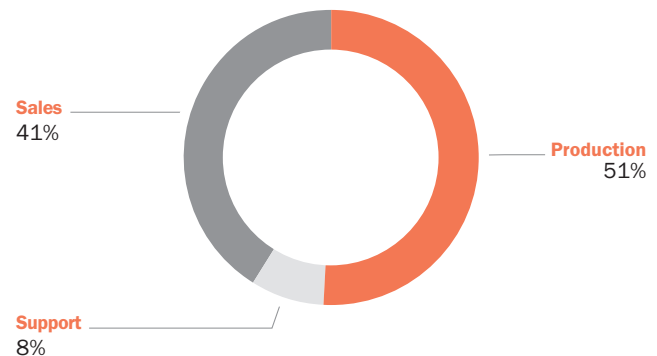
The new Iguatemi in Sao Paulo and Sydney Airport stores and the Copenhagen branch contributed to the increase in the workforce in 2017.

Jobs created within the Group

The Group created 649 jobs in 2017. As has been mentioned, the Production division saw the most growth (with the creation of 332 additional jobs) in order to increase production capacity and to protect savoir-faire and sources of supply, closely followed by the Sales sector (with 265 additional jobs created).

Employment creation was significant in existing production units, particularly in the South-West, Savoie Dauphiné and Franche Comté French areas.

BREAKDOWN OF JOBS CREATION BY SECTOR



2.3.1.4 Compensation

Compensation

<i>In millions of euros</i>	2015	2016	2017
Total payroll	579	609	639

The Group's payroll was €639 million in 2017 versus €609 million in 2016, to which one must also add €208 million of social security charges. In France, payroll includes distribution of €70.7 million in incentive schemes and profit-sharing, and €3.3 million in employee support activities, compared with €68.8 million and €2.7 million in 2016 respectively.

The rise in payroll costs (excluding exchange rate impact) reflects increases in both workforce and salaries in all geographical areas.

Hermès is committed to rewarding employee performance at the collective and individual levels, and the increase in variable compensation at both levels reflects this commitment.

Compensation mainly reflects skills, levels of responsibility and local conditions.

Every year, the Group provides its subsidiaries with budgetary guidelines for salary growth that take into account inflation and local markets. Particular vigilance is required concerning gender equality and the market difference (internal and external). Additional budgets may be granted if adjustments are necessary. The compensation paid to Corporate Officers is shown on pages 155-163 of this document. Hermès, the great majority of whose employees work in OECD countries, strictly applies working time and minimum wage regulations in compliance with UN conventions and seeks to exceed such regulations wherever possible.

2.3.1.5 Employee support activities (France)

The total amount paid to Works councils for employee support activities rose by 22% in 2017.

<i>In millions of euros</i>	2015	2016	2017
Employee support activities	2.3	2.7	3.3

2.3.1.6 Incentive schemes and profit-sharing (France)

Since 2012, a special participation agreement with all of the representative unions, has enabled all employees of the companies in France to be associated with the profits of the Group in a harmonised manner.

Incentive agreements are also in place at each company. These agreements have a duration of three years and aim to involve employees with

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.

Employees of foreign entities (38% of all Group employees in 2017) also benefit from a range of regular additional compensation initiatives in line with performance and local customs.

<i>In millions of euros</i>	Incentive schemes	Profit-sharing	Total
2015	25.9	40.2	66.1
2016	26.9	41.9	68.8
2017	26.1 ⁽¹⁾	44.6	70.7

(1) Including the ratification of new agreements.

2.3.1.7 Involving all employees in the Group's long-term growth

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

All of these plans send a single message to eligible 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 Group strategy;
- ♦ to acknowledge the contribution made by employees at all levels 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 at every opportunity.

The total rights granted under this free shares plan represented 2.1% of the share capital of Hermès International.

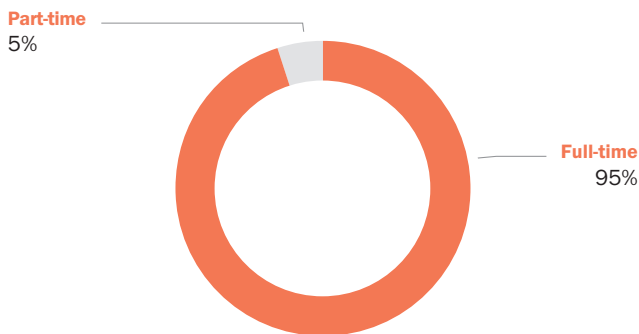
Consequently, the last free share allocation plans (introduced in 2016) were allocated to over 11,300 Group employees worldwide and involved a total of 806,060 shares. To promote employee loyalty over the medium and long term, and to boost collective performance, these plans are subject to a vesting period of at least four years, attendance conditions and, for some shares, performance conditions.

The Group's ambition is to continue to involve its employees worldwide in its corporate project by increasing the level of employee shareholding.

2.3.2 ORGANISATION OF WORKING TIME

Each entity manages its working time in compliance with the regulations in force and on the basis of the particularities of its own activity, in an effort to balance private/professional life, in particular implementing variable working times for French entities. Nearly all employees are full-time.

FULL TIME - PART TIME (WORLD)



Absenteeism (France)

In France, the absenteeism rate is 4.1%. It has increased slightly compared to last year. Absenteeism is calculated using the accumulated hours of absence over a period less than or equal to 90 consecutive days for the following reasons: illness and occupational illness; absence as a result of a workplace accident or an accident on the way to or from work; and unjustified or unauthorised absences. Changes in absenteeism are systematically monitored and analysed by each 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, leading to better understanding of 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 only 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 physician on the sites, etc.), but also verifications in order to increase the accountability of the employees and managers. Also, based on the demographics of certain sites, specific actions have been implemented in order to support maternity under the best possible conditions. For example, these specific action plans may involve adapting the workstation, or implementing prevention measures intended to allow pregnant women to remain at work, if they so desire, until the start of their maternity leave.

2.3.3 LABOUR RELATIONS

2.3.3.1 Social dialogue

Within the Group, social dialogue is a priority and is organised in each country according to local laws and regulations. In France, Hermès ensures that these obligations are adhered to. Social dialogue is organised by the Company in order to comply with local particularities and to ensure that the discussions will account for the realities of each situation.

A Group committee meets once a year to discuss and debate the appraisal of the elapsed year and the prospects for coming years. Furthermore, a Social Dialogue Monitoring Committee (France) was set up in 2008 pursuant to the agreement on social dialogue and to assert union rights within the companies of the Hermès Group, which was signed in 2008 by all of the representative trade unions.

In France, more than 57 agreements and amendments (on both Group and Company levels) were signed in 2017, including a Group disability agreement. Throughout the year, agreements were signed on Sunday working, social dialogue, incentive schemes, health insurance, the generation contract and workplace gender equality. These agreements demonstrate that employee representatives and the departments concerned are fully involved in constructive and respectful social dialogue.

Internationally, the labour relations of the distribution operations are supervised by the Human Resources Directors for each area (or country, depending on the size of the local markets), who ensure compliance with local regulations and application of the Group's ethics charter.

2.3.3.2 Social responsibility

Hermès has laid out its social responsibility ambition and policy in a note entitled "Hermès – a responsible employer", which was approved by Group Management.

Through its social responsibility commitments, Hermès implements strategies to develop its employees while boosting its economic performance. Attaining these two inseparable and complementary objectives involves a range of initiatives to promote responsible integration and responsible management.

Responsible integration is the result of a conviction and desire. The conviction that talent diversity is a source of richness, creativity and innovation for Hermès. Therefore, Hermès is convinced of the crucial need to constantly strive towards this diversity of talents and to integrate this talent. To this end, in 2017, the Group finalised and launched a diversity management and anti-discrimination training programme for local managers which will be delivered internally.

Hermès is also affirming its dedication to helping vulnerable people, particularly the unemployed, by implementing social inclusion initiatives. With this in mind, in 2017 Hermès developed and implemented a social responsibility clause in its calls for tenders for general services, leading to the first co-contracting agreements with the socially supported and sheltered sector.

The aim of responsible management is to enable each employee to develop and realise their full potential in a positive, inclusive setting. This involves:

- ◆ increasing efforts in terms of health and safety at work;
- ◆ making employees aware of their responsibilities and supporting them in their work;
- ◆ improving well-being at work and enabling employees to have a better work-life balance;
- ◆ giving a different meaning to commitment by encouraging those who wish to become involved in community projects.

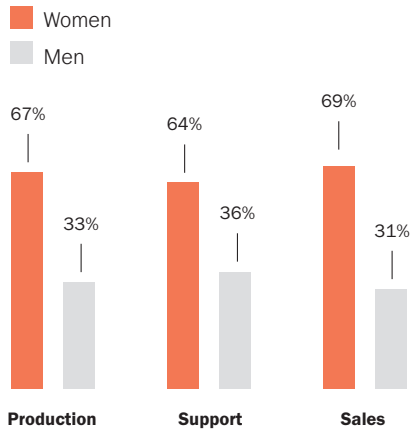
2.3.3.3 Equal opportunity

The Group is committed to the principles of recognition and respect, irrespective of one's origin, gender, family situation or profession. This respect for differences is presented to the employees in the ethics charter that serves as the guarantor of the objectivity, equal opportunity and promotion of diversity without discrimination as part of recruiting, career progress and daily management. There is also a specific training segment on managing diversity for all managers.

Employee recruitment respects profile diversity wherever Hermès operates.

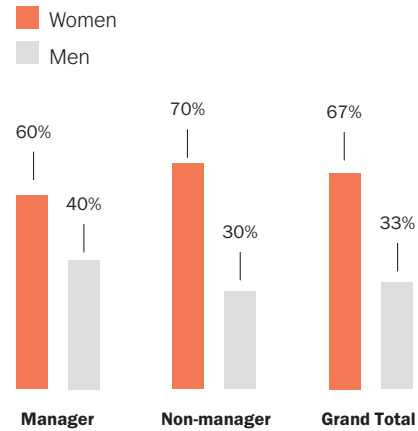
GENDER BREAKDOWN BY SECTOR

The breakdown of men/women indicates a majority of women, which is uniform across all divisions. These rates are stable compared to those that prevailed in 2016.



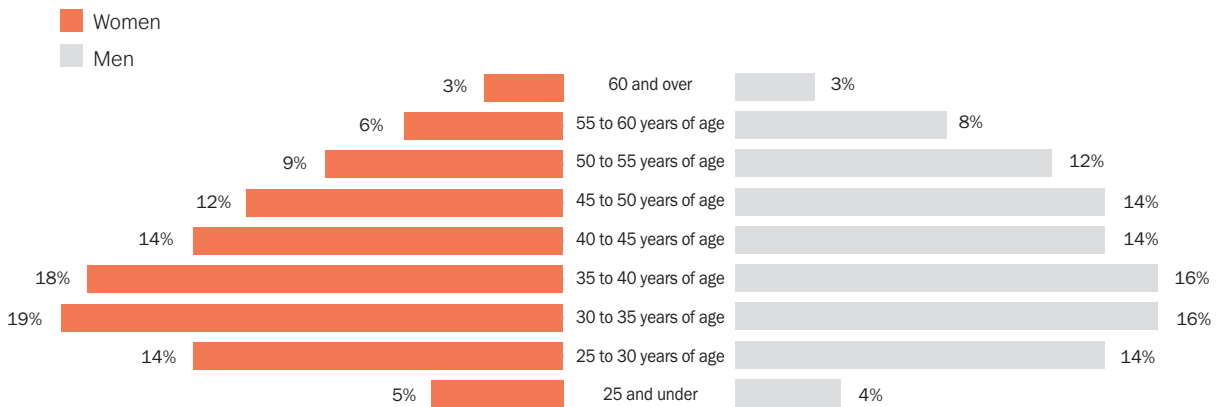
GENDER BREAKDOWN BY CATEGORY (MANAGERS/NON-MANAGERS)

Women are present in most roles, including within management. One of the members of the Group's Executive Committee is a woman.



WORKFORCE BY AGE FOR MEN/WOMEN

The age pyramid of Group employees can be broken down as follows:



2.3.3.4 Employment of disabled workers

Hermès has long been committed to integrating people with disabilities into its different métiers. A disability assessment was carried out in 2016 covering all sites and involving our employees and health and social partners in order to make greater progress in this area. In 2017, Hermès decided to move to the next stage and enter into a first Group Disability Agreement. Group HR created a group of 12 Disability Advisers in France. Training to bring together these advisers and trade union coordinators was organised in order to prepare them for the operational implementation of this agreement. Following negotiation, the agreement was signed on 15 June 2017 with all the trade union representatives within the Group, then certified by the Paris office of DIRRECTE (Regional Office for corporates, competition, labour and employment) on 14 December 2017.

This agreement covering three years 2018, 2019 and 2020 involves voluntary targets and will help all the sites to make progress in integrating and retaining people who are disabled, whether temporarily or permanently, in employment.

Through this agreement, Hermès confirms its desire to act to support recruitment and integration, keeping people in employment, developing procurement from the socially supported and sheltered sector, and also in the area of communications, awareness and training in these issues.

Without waiting for the start of the Group Disability Agreement in 2018, a number of initiatives were put in place at sites during the year:

- ◆ participation, with a workshop demonstrating leather savoir-faire, in the “Discovery of métiers” activity organised by the association ARPEJEH in Lyon to support disabled secondary school children in choosing their future direction or studies or to raise their awareness of certain métiers. More than 200 young people were welcomed to this event together with 65 teachers and educators;
- ◆ inclusion of provisions supporting the employment of people with disabilities in Hermès Sellier calls for tenders for general services. This change has enabled co-contracting agreements to be signed involving the employment of disabled workers, particularly in the services and company concierge services areas;
- ◆ involvement with the European Disability Employment Week: a simultaneous awareness-raising activity in all French stores which addressed the different forms of invisible disabilities in order to dispel prejudices and support integration and continuing employment. A specific theme was addressed every day by means of fun activities led by an Adapted Company. The week was accompanied by a collection of pens for the Présédys organisation which supports the success in higher education of students with “DYS” disorders (specific language and learning disorders);
- ◆ as a complement to the “One Day, One Métier” programme supported by AGEFIPH (association responsible for managing the development fund dedicated to the professional integration of people with disabilities) within Hermès Maison and Puiforcat, a number of workshops raising awareness of the senses were held at the CATE by local organisations such as the south-west guide dog school, the association of deaf and hard-of-hearing people, the HandiSport committee, etc.;
- ◆ organisation within Holding Textile Hermès of a photo contest embodying the collective commitment to remove the barriers of disability, leading to financial support for the association “Les enfants d’abord, les enfants à bord” devoted to promoting shared leisure activities with disabled children;
- ◆ organisation by Holding Textile Hermès of a morning meeting bringing together all of the stakeholders – institutional or private partners – in the recruitment of disabled workers in order to share the disability roadmap of the Silk division and its ambitions in the recruitment area. This meeting was accompanied by a visit to two sites in order to improve understanding of the specific nature of the textile métiers;
- ◆ recruitment within the *Manufacture de Haute Maroquinerie* of a cutter from an ESAT¹ on a permanent contract after being seconded and carefully mentored for several months in order to make this still rare transition to a mainstream environment;
- ◆ concluding partnerships with recruitment firms specialised in integrating disabled workers;
- ◆ massage workshops led by blind or partially sighted people with Hermès Maison employees as part of European Disability Employment Week;

- ◆ visit by the network of disability advisers from a Vocational Rehabilitation Centre in relation to discussions with the French Federation of Associations, Groupings and Establishments for the Rehabilitation of Persons with Disabilities (FAGERH) in order to improve integration.

In addition, store employees have been trained in welcoming disabled customers and all the stores’ accessibility records have been completed.

The DOETH² “summary” shows an employment rate in France of 4% in 2017 (excluding “reduction”), up 3.80% compared with last year. This rate includes the direct, full-time equivalent employment of 283 people with disabilities.

Within the Leather Goods Silk and Hermès Maison divisions, which are the main employers in France, the 2017 employment rate was slightly above 5.50%. At Saint-Louis in 2017, the production unit reached 7.70% of disabled workers.

2.3.4 HEALTH AND SAFETY

2.3.4.1 Organisation

Since 2003, the industrial affairs department has been leading an Environmental, Health and Safety (EHS) network comprising EHS managers from the Company’s different métiers. With around 20 members, it meets several times a year to set targets, share results and learn about best practices in each of the métiers.

Leather Goods

The objective of the Leather Goods division is 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 establishment.

The division’s senior management meets each quarter to discuss issues of health and safety at work. It orients strategy on priority topics, encourages local initiatives and validates the actions of central coordination. Audits to evaluate to what degree the production units have adopted a strong health and safety culture are carried out by an external body in accordance with Hermès’ own guidelines.

A health and safety roadmap has been prepared for the Leather Goods division based on six areas of strategic focus for 2018:

- ◆ avoid injuries;
- ◆ comply with regulations;
- ◆ protect employees’ health;
- ◆ reduce accident rates;
- ◆ take care of our employees’ well-being;
- ◆ make health and safety culture an enduring part of the work place within the division.

(1) ESAT: *Establishments and Services which provide Assistance Through work, medico-social establishments whose purpose is the social and professional integration of adults with disabilities*

(2) *Mandatory Declaration of Employment of Disabled Workers.*

A HSE manager is appointed at every Leather Goods division production unit. He/she is responsible for monitoring progress plans agreed with his/her management in accordance with the Group's HSE policy. The HSE manager deals with everyday hygiene, safety and health matters, working closely with the cross-functional maintenance and occupational health departments.

Central coordination ensures the consistency of the improvement plans carried out by each production unit and establishes priorities. They provide material support to the actions carried out on site, select experts when their participation is needed, and monitor changes in regulations and technical innovations. They develop and distribute shared training, reporting and regulatory compliance tools.

Tanneries

For several years, the sites have been working to improve health and safety conditions, and many initiatives have already been undertaken, such as an assessment of workplace risks and measures to prevent hardship resulting from work at the various workstations. Dedicated Health, Safety and Environment (HSE) managers are responsible for hygiene, safety and working conditions at each production site. As a result, they receive support from the Site Directors who are directly involved with regard to these subjects. All of the data is shared within the division, and joint improvements are implemented at the instigation of the industrial department.

To coordinate the 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.

Finally, during the year, the French sites appointed advisers in the safe transport of hazardous goods who are responsible for helping prevent risks to people, property or the environment.

Crystal

In 2017, the HSE subjects for the Cristallerie de Saint-Louis were coordinated by a safety facilitator, an environmental engineer and technical, Hygiene, Safety and Environment managers.

Several initiatives to improve working conditions were implemented in 2017. The most significant were the development of double changing rooms for employees of the fusion and maintenance department, the introduction of dedicated trolleys for preparing hot-part workstations, the installation of a conveyor avoiding the shovelling of neutralisation sludge, the installation of an air exchange system in the hot-part workshop and the reorganisation and refitting of the acid disposal area.

Porcelain

At the CATE, efforts have been devoted to encouraging craftsmen to take over the risk prevention policy launched in 2016. An ambitious programme, including preventative actions and regular communications, supported by management and an investment budget of k€120 was able to be implemented throughout the year. This prevention programme

includes regular HSE visits with management and members of the CHSCT to significantly improve risk management within the workshops.

Beyrand

A QHSE (Quality, Health, Safety and Environment) manager monitors compliance with legislation and standards, and monitors waste, energy consumption and works. She works in partnership with the maintenance and purchasing departments, under the authority of the Executive Vice-President of the Company. HSE audits by department are performed by the Site Committee in order to develop the safety culture.

Distribution

In France, the Health, Safety and Security action plan was completed during the course of 2017, as a result of which all stores are aligned in terms of health, safety and security practices and are fully versed in them.

Every store now has one or two safety personnel, who are clearly identified. These staff members assist with the implementation of recurring actions and the management of topics that change on an annual basis.

During the administrative staff seminar, an annual awareness campaign is conducted with respect to safety personnel.

This campaign involves taking stock of specific identified risks or working together on a new topic.

In Japan, in keeping with an activity that had been initiated in 2016, questionnaires on stress in the workplace are still being distributed. They allow the business and employees to increase their awareness about stress management. The results led to an improvement in the working environment, which is one of the main sources of stress. In addition, the management teams stress the importance of a balance between private and professional life, for example by encouraging employees to leave work early on Wednesdays.

In Southeast Asia, various employee awareness-raising initiatives have been implemented, including a campaign on well-being, nutrition, participating in sports, healthy snacking and annual health checkups. A schedule was established with different events throughout the year, such as yoga classes, stress management, and cooking classes, and so on.

In Hong Kong an employee assistance programme was launched. The advice, which is provided by professionals, is given on an individual basis and is strictly confidential. The goal is to be able to cover various topics such as the management of workplace stress, professional development, conflict and so on.

In addition, distribution subsidiaries recognise the importance of comfort in the break rooms in offices and stores. For example, in China and in Hong Kong, among other places, break rooms were completely renovated. They are more spacious and were in some cases moved into separate premises, to provide sales associates with an actual space that allows them to take a break, change and rest.

2.3.4.2 Employee Involvement

Health and safety awareness-raising and training initiatives, which also ensure adherence to regulatory obligations, are conducted and monitored at each site, then consolidated by the sector.

Leather Goods

Multiple actions are managed on a cross-functional basis with the aim of guaranteeing the safety of our employees and also the employees of external companies working on our sites. Important means are being deployed to protect the health of our employees. Among these, individual support from networks of physiotherapists are offered to craftsmen in a preventive or corrective setting for those experiencing pain or discomfort affecting their professional or personal lives.

Since 2013, 932 craftspeople have followed these programmes with convincing results through measures carried out, both objective (i.e. physiological), and more subjective (such as the level of pain felt by the craftsman before and after the programme). As an example of an objective measure: on average, all craftsmen gained 16% in the field of motion of the shoulder.

In addition, a training module has devised since 2015 to internally disseminate a better knowledge of one's body. This is a long-term workplace health approach that is based on a national network of experts. This module, named "A Body For Life", was given to all staff of the division, the craftsmen of the production units and employees in administrative departments. It is the first step of a commitment to healthy living every day that has been a great success. It was taken as an example by the other House métiers, which adapted it and will implement it gradually. Distribution subsidiaries, including those abroad, have also taken inspiration from it, and have begun to introduce it, reflecting the value of sharing experiences within the Group. In 2017, the programme was updated and a second wave of training will take place in 2018.

Tanneries

In connection with the means of preventing the effects of exposure to certain occupational risk factors, the French tanneries have declared employees exposed to these factors for the year 2017. The tannery at Cuneo in Italy has completed its work on improving how exposure of employees to repetitive tasks is assessed, in collaboration with occupational medicine. As part of improving the ergonomics of the workstation, the tanneries at Annonay and Vivoin continued the "TMS Pros" (Musculo-Skeletal Disorders - MSD) initiative in partnership with Carsat Rhône Alpes and Pays de la Loire. Finally, many yearly 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, improved inductions for new employees.

Textiles

The textiles division has rolled out several projects, including a successful multidisciplinary health commission approach (occupational physician, nurse, occupational psychologist, social worker), which allows proactive monitoring of employees and helps to maintain employment. Other examples: Occupational psychologist drop-ins, which were extended to the ITH site, or awareness-raising conferences on nutrition, sleep and healthy living were held, particularly for employees on night shifts.

Perfumes

The training module on the prevention of MSDs "A Body For Life" deployed for the leather trades was adapted to the perfumes activity in 2016. Since then, all the staff members have been trained.

Crystal

The main effort of 2017 focused on the appropriation and facilitation of the safety at work theme by the managers of the workshops. This project that started in 2017 will continue for several years.

In view of the regulations relating to arduous work, the production unit is concerned by the "shift working" factor (six employees involved in the melting workshop and three in the cutting workshop). In order to improve working conditions at the "the main place" station in "hot-glass", a study was carried out in partnership with an external firm, the Federation of hand-made and mixed glassworks and Carsat (under the "TMS pro" programme). An innovative means of assistance has been identified, that brings relief to constraining physical movements and allows the craftsman to concentrate on the actions required to produce these exceptional pieces.

A budget of k€500 has been invested in various projects aimed at improving performance of the factory in terms of hygiene, ergonomics, safety, working and environmental conditions, such as installation of an air exchange system in the hot-glass workshop, renovation of the re-firing furnace and replacement of the decking workshop heating system, installation of a conveyor for the neutralisation of workshop sludge, development of the acid dumping and hazardous waste storage area, development of double changing rooms or the acquisition of a more efficient burner opening for the hot-glass workshop.

Porcelain

At the CATE site, one of the main themes of the 2017 programme was the prevention of MSDs with:

- ◆ staff training on mobility of the pelvis and cooling-off exercises;
- ◆ improvement of the workstations, including the installation of a motorised-feed dishwasher instead of the hood dishwasher and replacement of the manual lever press by an electric press;
- ◆ organisation of work, promoting versatility with, as the main achievement, the creation of a finishing division grouping the last stages of production, inspection and packaging of product with more versatile craftsmen able to alternate between the activities.

Beyrand

At *Beyrand*, training was provided to ensure optimal employee safety. All employees exposed to the risk of musculo-skeletal disorders were trained in warm-up and stretching exercises. Workplace First Aiders annually renew their knowledge in order to be able to act effectively in case of accident. An update was provided on the knowledge of pallet truck drivers following the acquisition of several electrical equipment items.

Puiforcat

At *Puiforcat*, the induction of new hires was reinforced by a safety book enriched by a sharing on risk situations and the presentation of risk sheets.

Awareness-raising of the damage caused by smoking and help in stopping smoking took place over the year in partnership with the occupational health doctor.

Hermès Distribution France

The division continued to roll out the fire safety and prevention programme by holding evacuation exercises, in particular, to test the technical equipment.

Through this programme, employees were made aware of various risks (fire, electricity, and so on) and the security culture was reinforced.

2.3.4.3 Workplace accidents

The diversity of the Group's activities (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 is of course a key priority for all of the House's managers.

In 2017, the frequency rate of workplace accidents with stoppage for the Group as a whole stood at 10.1 for a severity rate of 0.46. This calculation is based on the total number of actual hours worked. It is difficult to interpret because of the variety of trades in the Group.

In France, the frequency rate is 14.8 with a severity rate of 0.75, compared to 14.9 and 0.63 last year. Our industrial workforce represents 69% of our workforce in France, and therefore impacts these rates. The rates of the main trades concerned (leather, tannery, crystal) are below the rates of their segments.

Internationally only, the frequency rate is 4 and the severity rate is 0.08.

Leather Goods

In the Leather Goods division, the frequency index has remained stable between 2016 and 2017. It has halved since 2012.

The severity index has increased slightly, despite a stable number of accidents for a like level of activity. The typology of accidents in 2017 is the same as in 2016, no irreversible injury or injury causing permanent disability was recorded.

Each work-related accident is the subject of an "accident" investigation, with analysis of the causes. In the event of an accident, the factory concerned disseminates an accident report to the entire division and asks for comments and advice from its counterparts. Thus, a sharing of experiences and good practices is in place, allowing health and safety at work departments to exchange their opinions and think about common solutions to the risks identified.

Tanneries

Frequency and severity rates have risen between 2016 and 2017 within the division. They remain, nevertheless, well below the rates of the branch.

Each work-related accident has its causes analysed. An information note is then distributed to all tanneries so that preventive actions can be implemented.

Textiles

The number of work accidents in the Textile industry is stable compared to 2016, but the number of days of work stoppage has decreased considerably. The number and nature of accidents are the subject of a discussion and exchange on each of the sites of the sector, to accelerate the sharing of good practices. Each significant incident is investigated leading to corrective actions.

Perfumes

The frequency rate of CNP (*Comptoir Nouveau de la Parfumerie*) decreased again in 2017. It remains far below the frequency rate for the chemical segment. However, the severity rate has increased slightly as the accidents, though fewer in number, generated longer stoppages. Furthermore, there were no accidents on the way to or from work in 2017.

For the 5th year, in connection with the evaluation of our chemical risks, a campaign to control the exposure of employees was carried out.

Crystal

The accident situation at the site improved significantly between 2016 and 2017. The frequency rate dropped by a third, while the severity rate has continued to decline almost continuously since 2012. The actions taken, particularly with regard to the facilitation and appropriation of safety by the various workshop leaders, must be pursued. Supporting this desire to improve and reinforce the safety aspect, a support and training project has been initiated.

2.3.5 WORKING ENVIRONMENT

The working conditions of the company's employees are the subject of great attention. Some examples of improvements in this area in 2017 are:

Leather Goods

To protect employees, the work begun in 2014 to improve the machines continued. Noise reduction is a major objective of this work. Working closely with manufacturers or suppliers of equipment, the central teams are revising the systems for noise reduction at the source to ensure greater comfort in the workshops.

Tanneries

All tanneries continued work to optimise the management of chemical products and replace certain substances in order to comply with current regulations and anticipate future changes (REACH and POP [persistent organic pollutants] regulations, biocides, etc.). The programme for measuring employee exposure to certain chemical agents continued at all sites.

By way of example, the following actions took place:

- ◆ improved machine safety;
- ◆ improved air collection, extraction and renewal devices;
- ◆ reduction of noise pollution at the workstations;
- ◆ monthly communication campaigns and on-site safety training carried out;
- ◆ improved safety on sites when renovating buildings.

Perfumes

At Hermès Parfums, investments and studies devoted to improving safety of the site, working conditions and the well-being of employees amounted to k€550. In 2017, the CNP invested to improve existing production equipment as regards the ATEX risk (ATmosphère EXplosive), particularly the bottle filling machines, for site fire protection (reinforcement of the sprinkler installations, amendments to the fire safety system), the restoration of floors and improvement of the lighting in traffic areas and workshops.

Crystal

The production unit's chemical risk assessment, conducted in 2012, was updated again in 2017. This update, taking into account the results of previous campaigns, has clarified the level of exposure to certain Homogeneous Exposure Groups (HEG). These were sampled during the measurement campaign that was carried out in July and December 2017. Actions aimed at reducing the exposure thresholds observed during these analyses were implemented. Among the most important of these are: suction at the source on some burner openings in the "hot-glass" workshop, start of a study in partnership with the Carsat to design a solution for capturing at the source at all workstations in the "hot-glass" workshop, several awareness-raising operations on the use of collective protection in the "cold-glass" workshop, improvement of collective protection at the composition workshop, study into optimisation of the chemical etching installation to eliminate contact with acids.

Porcelain

At the CATE site, the prevention of exposure to chemicals has also been a key theme of the HSE approach. Three air quality measurement campaigns were conducted in the workshops in 2017. All the craftsmen handling dangerous chemicals had been trained between 2015 and 2016 by a training body. Station suction systems were upgraded in the enamel spray shop as well as in the brush workshop and the wristband flanging station.

Beyrand

At *Beyrand* all the solvent fountains that were used for cleaning the printing and colour-making tools were replaced by biological fountains. These fountains have significantly improved the working environment of these workshops.

Actions were carried out to improve ergonomics at the workstations including in printing by replacing workstations and installing setting rails on machines in order to reduce postures that are demanding on the back.

Ergonomists have suggested improvement for the workstations of employees in logistics and pre-press working on computer screens.

Puiforcat

At *Puiforcat*, the quality control areas have been brought together in one place, closer to the logistics areas. A reception airlock has been created and the whole of the shipping/receiving area has been renovated. The washrooms have also been completely renovated.

2.3.6 INTERNAL COMMUNICATION

In 2017, the Toile H intranet site published nearly 300 articles, which communicate to all employees of the Company news on the lie of the manufacturing sites, activity in our stores and distribution subsidiaries, renewal of collections, life at the Company (seminars, training, events, networking programmes, etc.), employee movements, changes in the organisation, etc.

To facilitate access to information for all and reinforce a sense of belonging, employees can also log on to the site from home.

A specific section called "Harmonie Hermès" made it possible to involve all employees in the many local actions that mark Hermès' commitment to a world that is more respectful of human beings, more environmentally friendly, and to inspire new initiatives.

It covers sustainable development topics. It also covers the environment, health and safety themes chosen by the House: the site contains regular updates from the work of the HSE network and local initiatives on biodiversity, saving energy and Sustainable Development Week events.

Circulating the Company's strategy

In 2017, the Internal Communication department bolstered its action by contributing to the sharing of the vision and information. For example, more than 2,400 employees from Rhône-Alpes, Auvergne, Franche Comté, and South West attended at a Forum H in Lyon. A highly anticipated opportunity to recall the fundamentals of the business model, share projects concerned with our reality as creators, craftsmen and merchants and recognise the contribution made by all. At a seated lunch, guests were able to meet in a friendly environment.

In Madrid, all the Store Managers, Retail Managers and Managing Directors of the distribution subsidiaries came together for three days. Sharing their ideas about tomorrow's retail in a world that has become omni-channel was the overriding theme at this event which also includes creative and fun activities. How to arouse emotions in our customers to make them dream and to seduce them was what brought together the

315 participants at this meeting. It provided a boost to the collective impetus and energy given to the players of the distribution network, key in the pursuit of improving the services provided to our customers.

In Paris, in December, at an end-of-year party, more than 2,500 employees gathered at the Grand Palais, where 85 employees celebrated service of 25-55 years with the Company, met Leila Menchari and visited the Hermes exhibition paying tribute to her.

In Pantin, some 80 craftsmen were invited to discover the collections presented to the worldwide network in order to feel pride in their achievements and the way in which the objects are shown.

In the subsidiaries

The Tanneries division celebrated its 10th anniversary at Hermès. In this context, each of the 700 employees of the division was presented with a notepad covered in calf leather and invited to write the rest of story of the tannery in the service of the House. Hermès Parfums invited 600 people to celebrate the 40th anniversary of the Vaudreuil site in Normandy. In a colourful celebration in a 70s theme, the history of the site was outlined, together with its transformations, and its contribution to growth of the activity of the perfumer Hermès.

In January 2017, nearly 420 Hermès China employees from all over China gathered in Chengdu. They attended a Hermès China Forum, a biennial meeting on the achievements and major projects of the subsidiary, and celebrated the 20th anniversary of Hermès in China.

Beyrand, printers of excellence, celebrated more than 90 years of savoir-faire with their employees. From drawing work, to the quest for colours, to printing of the decoration, Beyrand's savoir-faire is used in the table, enamel and leather goods trades.

2.3.7 RESPECT FOR HUMAN RIGHTS AND FIGHT AGAINST CORRUPTION

As detailed in section 3.2, 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 Rights of the European Union and the ILO, the OECD Guidelines and the OECD Convention on Combating Bribery of Foreign Public Officials.

The Hermès Group and its employees strive to comply with applicable laws and regulations in all the countries in which they are active as regards the respect of human rights and the fight against corruption. For the record, most of the Group's activities are carried out in OECD countries.

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

Women and men are critical to our sustainability project and the initiatives conducted by the Group. They help to publicise the following SDGs (the numbers refer to the UN's official typology) :

N° 3 : Good health and well-being

- ◆ 3.8: "Achieve universal health coverage".

The company's employees have access to health coverage and social protections based on each country's regulations and practices.

- ◆ 3.9: "Reduce the number of deaths and occupational illnesses".

In addition to our EHS 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 MSDs (musculoskeletal disorders), in order to anticipate and reduce the impact of occupational illnesses.

No. 4: Quality Education

- ◆ 4.5: "Eliminate gender disparities in education and ensure equal access, including for persons with disabilities".

Helping people with disabilities access and retain employment is a major issue. The signing of a Group disability agreement in France in 2017 includes ambitious objectives in this regard.

No. 5: Gender Equality

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

Women have an important role within the Group (67% of employees). They play a definite leadership role, with almost 60% of women executives holding management positions. At Group level, women executives represent 14.2% of staff, compared to 9.6% for men.

No. 8: Decent work and economic growth

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

Hermès contributes to job creation, especially in France. Hermès 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 associated with the Group's growth, by means of the allocation of free share plans. The rate of full time employment is close to 100%.

- ◆ 8.6: "Promoting the employment of young people"

One fifth of the employees of the Group are younger than 25 years old, consistent with the internal training effort, in particular in the manufacturing business lines.

- ◆ 8.7: "Ethics and fundamental commitments to human rights and labour organisation".

The Group has defined and monitored the implementation of standards and practices without compromise on these subjects.

- ◆ 8.8: "Health and safety at the workplace".

Hermès is of course very vigilant on these subjects, and obtains better results than industry averages (workplace accidents). The production facilities, in the OECD area, are very demanding on these subjects.

2.4 RAW MATERIALS

The durability of Hermès' business depends primarily on the future availability of the high quality raw materials, which are at the heart of the products and are key to Hermès' unique character. Hermès makes a conscious effort to respect, protect and work for the sustainability of the natural resources that it needs. Our materials are all natural and renewable. They are obtained with a view to respecting regulations and good practices, in a constant quest for the best quality and ethics.

The Group has used an approach that has remained constant for decades: getting to know our supply chain better, consolidating them to ensure the highest level of quality, and developing them to prepare for future growth. Keeping craftsmanship close to its heart, the Group works every day to focus on optimising the use of rare and precious raw materials.

2.4.1 KNOWING OUR SUPPLY CHAINS, COMPLYING WITH REGULATIONS

Respect for raw materials obviously begins with Hermès respecting the regulations pertaining to them. This means legislative provisions:

- ◆ to respect the Washington Convention or the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES), another framework that can have an impact on the raw materials used in the leather business, tanneries, or some ingredients of perfumes;
- ◆ to combat the illegal exploitation of forest products, as stipulated in the Lacey Act in the United States or the EU Timber Regulation (EUTR).

Leather Goods

Leather is an animal product, specially tanned and made impudible, either in "mégisserie" for lamb, sheep, and goatskin or in traditional tanneries for skins from cattle or reptiles. Hides used in leather goods are by-products of animal husbandry. People sometimes refer to hides as the "5th quarter", which means that tanning could be the most ancient recycling industry in the world. Hermès uses only full-grain leather, the top part of the skin, in an unadulterated condition. 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. You will only get a good hide from an animal that has been well-treated. Hence Group demand for high quality helps to improve the industry by encouraging animal husbandry that respects the animal's welfare.

All leathers used for Hermès manufacturing needs are directly purchased from tanneries, with no intermediaries. The vast majority of the needs are covered by in House 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 30 different types of leather to make its goods, most of which come from calves raised in France (including our flagship "box" leather, made with an English tanning technique), but also natural cowhide (in our saddlery leather products line) and "exotic" leathers. These exotic leathers include the skins of crocodiles, alligators, lizards and ostriches.

Raw skins from cattle and members of the sheep family, the raw materials for tanneries, come exclusively from animals that were raised for their meat. Calfskin comes from abattoirs within the European Union, which in practice means almost exclusively abattoirs in France. Hermès works together with its tannery partners, with a view to long-term cooperation, and has a dedicated annual budget to organise programmes to improve the quality of the industry working together with farmers, their cooperatives and their professional associations. In the European context of farms that are mostly sustainable, our presence is in line with the practices of high-quality farming (a well-treated animal will have a nice skin), local incomes and contributes to the management of rural landscapes and territories.

Exotic tanneries essentially use the skins of crocodilians. The vast majority of the skins come from farms located in the United States, Africa, and Australia. All Hermès partner farms must scrupulously comply with the rules drawn up under the aegis of the UN for the Washington Convention, which defines protections 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 such as United States Fish and Wildlife, the federal nature protection agency. These husbandry practices have also contributed to saving the species in the United States by repopulating alligators into their natural habitat.

In addition to strictly complying with the Washington Convention, a study was conducted in 2016 by Hermès with the help of an international NGO to evaluate the social and environmental footprint of the supply chain for alligator skins in the United States Work continued in 2017 and a progress plan was established with this partner.

In 2017, the house conducted a complete audit of the ostrich breeding sector (an animal raised mainly for its meat and feathers), which is used in the production of its leather goods. Conducted with a veterinary expert on the subject, and notably on questions of ethical treatment of animals, the recommendations were shared with the various stakeholders on the ground. It will be followed by an action plan in 2018.

Silk and Textiles

The Silk division's business essentially depends on two materials, silk and cashmere. Long-standing partnerships have been developed with a small number of suppliers for these two precious fabrics.

A supply chain for high-quality silk thread was developed more than 20 years ago in Brazil. Thanks to cultivation of the mulberry tree, whose leaves are used to feed silkworms, it has been made possible to sustainably establish this sector in the state of Paraná, thanks to Japanese savoir-faire. This industry preserves low-chemical hardwood biotopes (silkworms eat only non-polluted mulberry leaves) and generates income for local small farms and thousands of families.

There is a dedicated annual budget to develop the knowledge, techniques and sustainability of the businesses and supply chains of these partners. Programmes to improve the quality of their products are also carried out and we maintain high levels of exchanges and sharing.

Perfumes

Hermès perfumes are made in-house from carefully selected ingredients. Hermès has for many years taken part in a collective movement by the profession to ensure that natural ingredients used by the cosmetics and perfumes industry are exploited in a sustainable and balanced way. This is a painstaking process, pursued patiently ingredient by ingredient.

2.4.2 USING RAW MATERIALS WISELY

The raw materials used in the manufacture of Hermès products undergo a rigorous selection process to identify those which meet stringent quality and sustainability requirements. Each sector works to constantly improve the use of these rare and precious materials, consuming only what is necessary and optimising use of the material.

As detailed below, the Group has launched a number of initiatives to reuse its materials on the basis of internal circular economy within the Leather Goods division or in property management, or externally (Textiles, Leather Goods, Perfume Division).

Leather Goods

The leathers used by Hermès are rare and of exceptional quality. Our desire to create durable products is guided by very strict parameters when choosing these materials: as Robert Dumas used to say, a luxury product is one that can be repaired. Their very careful usage is one of the main concerns for leather goods production units. To achieve this, the industry is encouraged to employ any and all methods: using off-cuts, the technique of related cuts and sharing good cutting practices are just a few examples that are used and encouraged within the industry. They help to increase the expertise of the cutters and to optimise the usage of

leathers. In addition, the diversity and richness of our collections represent a good opportunity for optimal use of our exceptional leathers.

Between 2014 and 2017, these optimisation actions made it possible to make much better use of the leather surfaces that the tanners put at our disposal. The consumption ratio improved by almost 15% in three years.

In addition, some industrial departments (leather goods, fashion accessories), like Petit h, have designed products that can be made with the aim of improving the utilisation rate of available skins, and reduce waste. In 2017, several thousand products were made.

As indicated in 2.4.3, leather cutting waste follows a recycling cycle with external partners that gives a second life to all recycled volumes.

Tanneries

Improving the quality of raw skins is one of the priority drivers helping to reduce the requirements for materials. For our line of calfskin, like our line of reptile skin products, the division is spearheading a number of quality improvement projects. Some of these initiatives happen directly on the farms, and others are partnerships with farmers and cooperatives, professional organisations, veterinarians or independent laboratories.

Silk and Textiles

Once the raw materials have been provided (essentially silk and cashmere), this division takes over all processing tasks: weaving, printing, finishing, fabrication. This uniquely integrated process makes it possible for us to control the use of materials down to the last thread. Programmes minimising waste and spoilage, which make up part of a quality process encompassing the entire product line, are particularly active and involve every manufacturing unit.

Crystal

Thanks to the technology adopted for the new tank furnace, which came into operation in the last *quarter* of 2016, more cullet can be recycled, thereby reducing the consumption of raw materials, the waste transport flows and also the energy required for operation of this furnace. The quantity of raw materials consumed in 2017 was accordingly down by almost 10% compared to 2016.

Porcelain and Enamel

Each "blank", or piece of porcelain before decoration has been applied and fired, is different. A process has gradually been implemented via which the blanks are positioned based on their own characteristics, so that they receive the decoration that is best adapted to them. Using this method to position the blanks has enabled us to prevent a significant number of pieces from being rejected each year.

In addition, working groups regularly study the different ways of reducing rejection rates for each activity so that we can optimise our material processing rate. Efforts were concentrated on the Enamel activity in the second half of the year, with the waste management task force meeting on a weekly basis.

Silversmithing and Jewellery

Puiforcat has implemented reusable containers (plastic boxes) between the store and the workshop for product exchange.

2.4.3 WASTE

The wide range of métiers prevents the Group producing a single overall measure of waste. Instead, each manufacturing division works with a dual policy of waste reduction and re-use wherever possible. The main contributors are tanneries, crystal, textiles and leather. As part of its strong commitment in these areas, the Leather Goods and Saddlery division (19 production sites in France) has, for instance, been using a recycling programme for all leather offcuts for several years.

<i>In tonnes/2017</i>	OIW¹	HIW²
Tanneries	3,509	5,229
Textiles	531	755
Crystal	96	849
Leather Goods	577	60
Perfumes	605	241
Watches	19	38
Porcelain/email	130	30

In absolute value terms, the volume of industrial waste generated is low considering our volume of industrial activity and is explained by our craftsmanship model.

Tanneries

The raw material used in the tanneries is whole skins, referred to as “raw” skins, which are organic putrescible products. Tanning involves processing the hide into finished leather, which is a sustainable product. 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 (“sampling”) or preparing the internal surface of the skin (“shaving”). Processing skins in successive baths also generates waste (in the form 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).

Construction

In partnership with suppliers and design consultants, specification and local sourcing of building materials is systematically sought and recommended whenever possible. For several years, a thorough analysis has been conducted of the materials used in new or renovated stores and production sites, making it possible to progressively refine selection and recycling, resulting in a significant reduction of environmental impact. For example, the wood of store floors is selected from whatever local species are available.

The production of non-hazardous waste was down slightly in the division in 2017 (-13%). If the amount of hazardous waste produced increased significantly (67%), this exceptional increase is the result mainly of cleaning sludge accumulated in old disused reed beds at a site, and the removal of accumulations of old sludges from the usual treatment channels, which is generated by another tannery. Leaving aside these exceptional operations, the production of hazardous and non-hazardous waste at the tanneries remained stable overall between 2016 and 2017. All the waste produced was removed by approved treatment operators.

On-site waste storage involves facilities (sheltered storage areas, retention basins, and so on) that are designed to prevent any soil pollution. Regular training activities and awareness-raising concerning the sorting of waste materials are conducted for tannery employees. A pilot project using the 5S method was carried out in relation to the layout of work areas.

1. OIW: Ordinary Industrial Waste.

2. HIW: Hazardous Industrial Waste.

In tonnes	2012	2013 ¹	2014	2015	2016 ²	2017
Non-hazardous waste	781	1,876	2,247	2,113	4,044	3,509
Hazardous waste	159	1,022	1,230	2,065	3,129	5,229
including recycled waste	140	1,070	957	1,285	2,919	2,954
including reused waste	85	267	225	161	209	148

(1) The reporting scope has included the tannerie d'Annonay since 2013 (acquired in December 2012).

(2) The reporting scope includes Les Tanneries du Puy, bought in November 2015.

Textiles

The division is working with a number of different service providers to recycle a portion of the textile waste and offcuts from production. 28% of our waste is sorted, recycled and 71% converted to energy.

In tonnes	2012	2013	2014	2015	2016	2017
OIW waste ¹	448	457	507	536	505	531
HIW waste ³	546	696	973	643	639	755

Since 2015, non-hazardous non-textile waste has been processed by a single service provider who systematically promotes recycling and reuse.

Our hazardous waste, mainly composed of recovered dyes (86%), is always used in energy recovery.

The sector is constantly looking for the best waste recovery solutions and participates in the think tanks initiated by Techtera - the competitiveness cluster for textiles and soft materials in the Auvergne-Rhône-Alpes region.

Crystal

The production of crystal, which uses mainly silica (sand) as its raw material, is an artisanal activity that involves creating objects (glasses, carafes, and so on) out of molten paste. These operations involving melting and shaping crystal inevitably generate crystal waste that is called "cullet". The new gas melting furnace technology resulted in 65% of cullet being recycled in 2017 vs. 55% in 2016, which is a significant improvement. Waste reduction, that is the recycling of cullet, is a major economic and technical issue for Cristallerie. It is monitored operationally with the greatest care and is a major work item, to be improved in the coming months.

In tonnes	2012	2013	2014	2015	2016	2017
OIW waste (T) ¹	92	92	81	80.5	135.3	96.2
SIW ² + OIW waste (T) ³	1,032	1,180	1,586	1,163	1,128	849
Of which Recycled and Re-used (T)	807	860	947	651.7	953.4	713.7

The increase in the amount of OIW¹ in 2017 (compared to 2015) is entirely due to the scrapping of certain storage items made of wood and pallets in the shipping store. Measures to manage OIW implemented since 2015 enabled almost all this waste to be recycled. The volume of HIW³/SIW² (special industrial waste) has been decreasing regularly since 2015, reflecting in particular, the efforts in cullet recycling.

Leather Goods

All leather offcuts from manufacturing facilities are resold to special processors and recycled, to then become new raw material for other types of products.

In tonnes	2012	2013	2014	2015	2016	2017
OIW waste ¹	670	584	496	433	588	577
HIW waste ³	49	69	72	80	65	60
Level of activity	126	138	147	162	175	192

1. OIW: Ordinary Industrial Waste.

2. SIW: Special Industrial Waste.

3. HIW: Hazardous Industrial Waste.

Waste generated in the Leather Goods division was 637 tonnes in 2017, down by 2.5%, despite an almost 10% increase in activity.

Of this total, hazardous industrial waste decreased by five tonnes between 2016 and 2017. This was due to better sorting quality and to increased work upstream with our service providers who helped us identify the most appropriate channels in a more relevant way. Each type of waste is directed to a specially devised treatment or sorting chain.

Perfumes

Waste volume here was stable compared to 2016. In 2017, 67% of waste (OIW and HIW) was recycled and 27% converted to energy. The recycling/re-use ratio remained stable.

Of this waste, packaged alcoholic products, cosmetics, point-of-sale advertising and packaging items destined for destruction are reused by a specialist external partner. The percentage of this waste recycled

increased significantly compared to 2016. After packaging removal and sorting, 75% of these waste materials are recycled on average, bettering the 2016 figure by 12 points. The remaining 25% is converted into energy. As indicated in section 2.1.5, recycling of non-marketed soap took place during the year with external partners, in order to remove packaging from, crush and re-form bars of soap, a significant quantity of which (approximately 12 tonnes) were donated to charitable organisations.

<i>In tonnes</i>	2013	2014	2015	2016	2017
OIW waste ¹	627	585	543	602	605
HIW waste ³	199	278	256	251	241

Watches

All aqueous products, solvents, adhesives or dyes are packaged in waterproof containers and disposed of by a professional chemical disposal network. Hazardous Industrial Waste increased in 2017 following the dismantling of equipment at Nateber and not reused on the Ateliers Hermès Horloger site.

	2012	2013	2014	2015	2016	2017
Unrecycled OIW ¹ waste <i>in tonnes</i>	18.7	16.35	15	11	20	19
Recycled OIW ² waste <i>in cubic metres</i>	122	213	213	244	216	355
HIW ³ waste <i>in kilograms</i>	42	39	50	12,630	12,197	38,174

Porcelain and Enamel

This division is studying every opportunity for waste reduction. Waste paper from manufacture of porcelain or enamel chromos is always reused as an interleaf during printing, and the rest is cut up to be used in the Research and Development lab. Most screens are reused in production. Porcelain supports used during the firing tests for decorations are cut up in order to maximise their use.

CATE

<i>In tonnes</i>	2012	2013	2014	2015	2016	2017
OIW waste ¹	82	81	88	104	105	95
HIW waste ³	8.8	34.2	30.1	8.9	11.1	14.1

Waste is monitored and employees are sent updates on waste production every month.

Several actions carried out in 2017 resulted in a decline in the volumes of OIW generated compared to 2016, despite several obsolete packaging disposal operations.

The portion of hazardous waste has increased, with much of this coming from the sludge from the water treatment centre that handles the enamel waste. This was mainly due to the increase in the enamel activity and by greater product diversity, impacting on the frequency of cleaning operations required between each colour change.

The most significant measures undertaken in 2017 were the following:

- ♦ modification of the water pre-treatment station in order to eliminate enamel sedimentation and therefore cleaning of the station;
- ♦ establishment of a new collection and processing channel for paper;
- ♦ setting up a collection and treatment channel for WEEE;
- ♦ establishment of several recycling channels for used wood pallets in place of the material recovery sector.

BEYRAND

In tonnes	2012	2013	2014	2015	2016	2017
OIW waste ¹	44	38	47	48	34	35
HIW waste ³	11	14	9	11	15	16

The site has recycling bins for the different waste streams: paste products, used solvents, soiled packaging, paper, porcelain scrap, wood, etc. All ink cartridges are recovered and reused. Screens are also reused as much as possible before being destroyed. Precious metal waste in the form of printed pastes and sheets is recycled for recovery and reuse. Nearly 43% of the overall waste volume is recycled.

Regular reminders of good practices are made in the workshops so as to continue the positive dynamic of recycling. Various awareness campaigns are also carried out during the year when storage/sorting is happening.

The increase of HIW is was due essentially to 4 factors:

- ◆ 33% increase in the volume manufactured since 2015;
- ◆ 1.5 tonnes of residual waste accounted for in 2016;
- ◆ 0.6 tonne from continued purging of obsolete inventories of 2016;
- ◆ there was also more soiled waste on account of HSE and quality reasons (the mills have been secured with metal parts that need cleaning after grinding).

Construction

The construction department is one of the users of R&D actions on our materials to set up virtuous recycling circles. Since 2014, some of the leather offcuts from the leather goods workshops have been recycled and used systematically to protect cash desk tops in all our stores. Since 2015, the concept of a pop-up store with reused furniture has been applied throughout the Europe, Americas and Asia regions. In 2017, the Bobigny site's company restaurant was fitted with acoustic panels made of micro-perforated recycled leather.

Since 2016, selective sorting and recycling of materials for stores or stands being dismantled after their useful life had ended was organised progressively to send the output to local recycling facilities.

For example, the display stand of La Montre Hermès at the clockmaking fair in Switzerland, covering an area of approximately 1,000 m², now no longer used as our participation at this exhibition has ended, has been partly recycled (carpet, parquet, linoleum) with a local recycling operator.

In 2017, in Copenhagen (Denmark), the temporary pavilion of 700 m² built for the inauguration of the new Hermès store was entirely designed and built with recycled materials, so it could be torn down and 75% recycled for other local educational events.

1. OIW: Ordinary Industrial Waste.
2. SIW: Special Industrial Waste.
3. HIW: Hazardous Industrial Waste.

Each year, the Hermès display stand at TaxFree in Cannes is rebuilt with 90% of the materials used the year before.

Furthermore, in France since 2016, the Group has also defined and implemented a methodology for recycling furniture that has reached the end of its life by sending it to the service industry, working together with green organisations approved by the Ministry of Ecology and Sustainable Development. In 2017, 42 tons of furnishings were collected and recycled.

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

"Materials" constitute one of the main challenges of sustainability strategies, and measures taken by the 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 global resource efficiency and endeavour to decouple economic growth from environmental degradation".

The focus on the use of materials relates in particular to leather, and efforts at optimising cutting processes (requirements for materials reduced to ISO production standards), but also via active management of the by-products generated.

No. 12: Responsible consumption and production:

- ◆ 12.2 "Sustainable management and efficient use of natural resources".

Optimising the use of exceptional materials is one of the daily concerns of the Group's métiers. In an environment of rare resources, ethics, security of provisioning and a healthy economic vision contribute to a parsimonious management style. A dedicated innovation unit is constantly exploring new avenues to maximise the use of materials;

- ◆ 12.5 "Reduce waste generation".

Waste generation is reduced in particular by concrete actions to economise as part of the production and prevention processes, such as promoting eco-actions. The group carefully monitors all waste and oversees, for example, the implementation of selective waste sorting and recycling systems at all of its facilities.

No. 13: Climate action◆ 13.1 “*Strengthen resilience in response to climate change*”.

The various Group entities working to reduce energy consumption and carbon emissions. The craft 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 a carbon offsetting scheme (Livelihoods Fund) for the past six years.

No. 15: Life on Land:◆ 15.1 “*Respect for ecosystems*”.

The Group utilises its raw materials in strict compliance with regulations governing the protection of species, such as CITES. Moreover, by supporting certain agricultural industries, it contributes to their sustainability.

◆ 15.2 “*Promote the sustainable management 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 Group. The preservation of wetlands in Louisiana, where certain exotic skins originate from, is an example of this.

2.5 ENVIRONMENT

The respect for nature, the source of its exceptional materials and the living environment of its sites is one of Hermès's strongest and most abiding values. Pragmatic but ambitious long-term solutions to preserve the environment are systematically sought, trying to go further than required by regulations wherever possible.

Our priority is to control our impacts across our entire value chain, from the agricultural production to distribution, from purchasing to internal operations. This commitment is a mindset that requires the involvement of all, from everyday eco-actions to a robust environmental, health and safety (EHS) culture on all sites.

2.5.1 BACKGROUND

The scope of this environmental report includes production and logistics entities controlled by the House, as well as offices and stores.

2.5.1.1 Policy and organisation

Industrial

Working with all sectors and those involved in our production sites, the House's Industrial Affairs Department pursues an environmental programme formally approved by the Executive Committee, whose goals are unchanged since 2002:

- ◆ to comply with Environmental and workplace Health and Safety (EHS) regulations and to prepare for changes in these regulations whenever possible. As explained in chapter 2.3.4, the industrial department has a network of Environmental, Health and Safety (EHS) operatives at its manufacturing sites;
- ◆ to respect natural resources, particularly water, and master energy consumption;
- ◆ to enhance production processes by choosing the cleanest possible technologies and the most environmentally friendly materials available;
- ◆ to minimise waste production and to reuse and recycle whenever possible; to limit the "carbon" impact of activities.

Everyone's efforts are needed at every site if we are to achieve these goals. Since 2003, there has been an Environmental, Health and Safety network (called the "EHS network") that brings together the EHS managers from the Company's different entities and comprises around 20 members. It meets several times a year to set targets, share results and best practices. Training network members on EHS issues represents almost half of meeting time. In 2017, the focus was placed on Health and Safety culture. Training of this nature has subsequently been delivered more widely within the various units.

Since 2002, EHS audit cycles at our various units have been conducted by a specialist external consultancy, spread over three years. The fourth cycles ended in 2017 and 19 audits were conducted. 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 Group's environmental reporting can also be used to coordinate the follow-ups to these audits and monitor changes in environment, health and safety regulations.

Several times a year, the Sustainable Development Committee reviews the results presented by the industrial department. These reviews may relate to water consumption and the carbon footprint of different units, supply chains, external EHS audits conducted in the House's various units, as well as social and environmental audits of the partners. Possible support or assistance measures necessary for achieving the house's objectives are approved at meetings of this committee.

Construction

Since 2008, our environmental construction policy, overseen by the construction development department, has been based on the following principles:

- ◆ the systematic adoption of an environmental stance during building work;
- ◆ helping to protect the environment by ensuring that building projects are properly suited to their setting and the local architecture, while simultaneously preserving the ecosystem;
- ◆ the use of renewable energy sources whenever that is possible;
- ◆ employing energy-saving methods;
- ◆ a focus on building quality: design, functionality and sustainability, in a constant effort to ensure users' well-being;
- ◆ striving for flexible, adaptable construction projects that integrate future developments and running costs from the outset;
- ◆ anticipating, whenever possible, regulatory and technical developments and incorporating them into our projects;
- ◆ changes in regulations, in close collaboration with stakeholders (architects, engineers and suppliers).

Since 2016, in order to improve coordination and control of environmental activities involving internal staff and external service providers, the Group's construction development department has drawn up sustainable construction guidance based on three main ambitions:

- ◆ reduce the ecological footprint;

- ◆ promote the well-being of users;
- ◆ conserve vital resources.

This Sustainable Construction Framework, which is stricter than the main existing external frameworks, applies to all new construction or renovation projects relating to office, production and distribution sites in France and internationally, in collaboration with the Group's project managers and external partners (architects, technical design offices, builders and suppliers) selected by the construction development department. The Framework, which is stricter than the main existing external frameworks, serves to:

- ◆ harmonise and oversee sustainable building practices aimed at achieving ambitious goals;
- ◆ improve the environmental quality for users of construction projects from conception to completion;
- ◆ transcribe the values and characteristics of the Hermès Group internally and among our partners;
- ◆ set out scalable and comprehensible goals for all players in the construction process.

Changes in regulations in respect of construction are monitored by the Group's teams, in close collaboration with stakeholders (architects, engineers and suppliers).

2.5.1.2 Methodology and tools

Industrial

Since 2012, Hermès has monitored environmental data from its industrial sites using 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 department.

The published figures do not include data from Precious Leathers sites in Australia and the United States (HCP). Consumption figures for certain leased sites, including those for which no data is available, are not taken into account as they are not noteworthy.

Construction

Our environmental reporting primarily measures the energy consumption of stores and the offices of distribution branches around the world. Since 2015, environmental reporting has been further backed up by the gradual deployment of an automated system to consolidate energy consumption data from all new sites. Consumption data for exclusive concession stores are not included, as the Group does not control their operation.

This reporting does not include consumption by certain branches, primarily because of their location in shopping centres, which complicates access to source data. The absence of individual sub-metering in stores means that this energy consumption data is not available. New sites were factored in from the date of opening, or when they joined the Group. Sites that closed or left the Group over the year covered by the reporting were also taken into account. Primary data are collected from contributors from each distribution subsidiary (in a network of over 30 contributors worldwide) and are centralised by the construction development department, which runs various checks in relation to the previous year's figures (comparisons with similar sites) before consolidating them.

For energy consumption, only the electricity consumption indicator is published. The consumption of other forms of energy, which are very marginal, is excluded from this indicator. Electricity consumption data covers nearly 73% of Hermès branches across the world, as well as 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 41% of total consumption in a building that also houses offices and workshops.

In Europe (excluding France) almost 90% of stores are covered. In Asia, over 90% 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, 70% of stores are covered, including 80% of stores in the United States.

Water usage data by stores are not published owing to the lack of information reported and the insignificant proportion of the Group's overall water use it represents, being mainly water used in washrooms.

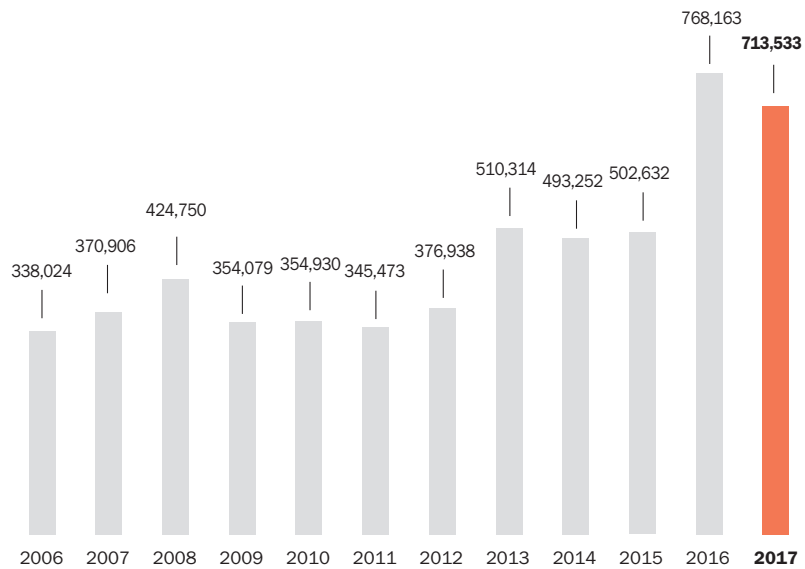
2.5.2 CONTROL OF WATER CONSUMPTION (INDUSTRIAL)

Over the last decade, the Group has maintained its ambition of decoupling with a X 1.7 increase in industrial water consumption compared to an X 3.1 increase in business volumes.

Since the launch of the Group’s environmental program in 2002, despite a four-fold increase in manufacturing output, water consumption has only risen by 25.5%, reflecting the effectiveness of the program and water-saving actions.

CHANGE IN WATER CONSUMPTION (IN M³)

Total Group consumption at constant scope between 2016 and 2017 (including Tanneries du Puy)

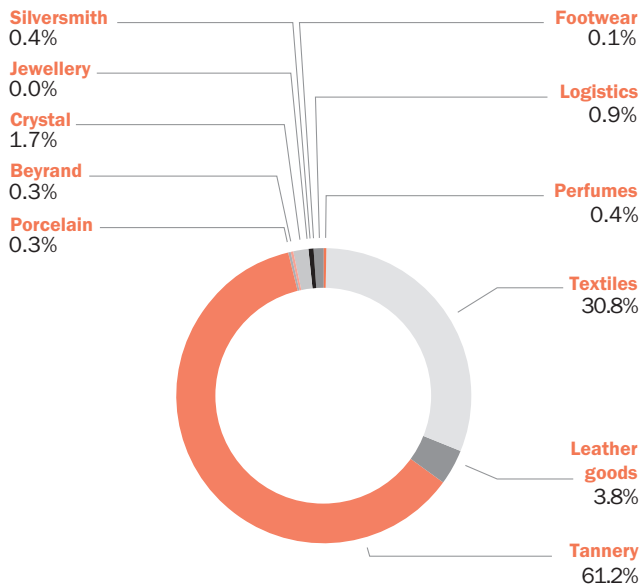


In 2017, total water consumption was down notably (-7.1%) compared to 2016.

Initiatives implemented within the tanneries, particularly in the recently consolidated tanneries of Puy, enabled the division to decrease its water consumption significantly (-13%),

The efforts of the Textile teams also made it possible to greatly reduce the use of water in the process. This translated into a very limited increase in the division’s water consumption (+4.5%) due to the sharp increase in its revenue.

WATER CONSUMPTION BY MÉTIER IN 2017



2.5.3 ENERGIES

2.5.3.1 Group

The energy consumption of the Group's industrial sites, stores, offices and ancillary premises amounted to 208,406 MWh in 2017 (compared with 202,125 MWh in 2016), excluding fuel consumption, which was negligible. In view of the diversity of the various businesses, economic environments, geographies and changes in group scope, further analysis is needed to assess the Group's efforts in this area.

Since 1 November 2015, Hermès has decided to participate actively in the energy transition process. All the French sites (production, services, stores) are now supplied with green electricity, mainly hydro, produced in France. This means that a Group level, two thirds of the electricity consumption are supplied through green sources.

MWh	Industry	Shops	Services	Total
2016	154,094	32,318	15,713	202,125
2017	160,662	31,234	16,510	208,406
2017 in%	77%	15%	8%	100%

2.5.3.2 Industrial

Over the last decade, the Group has maintained its ambition of decoupling with a X 1.3 increase in industrial energy consumption compared with an X 3.1 increase in business volumes.

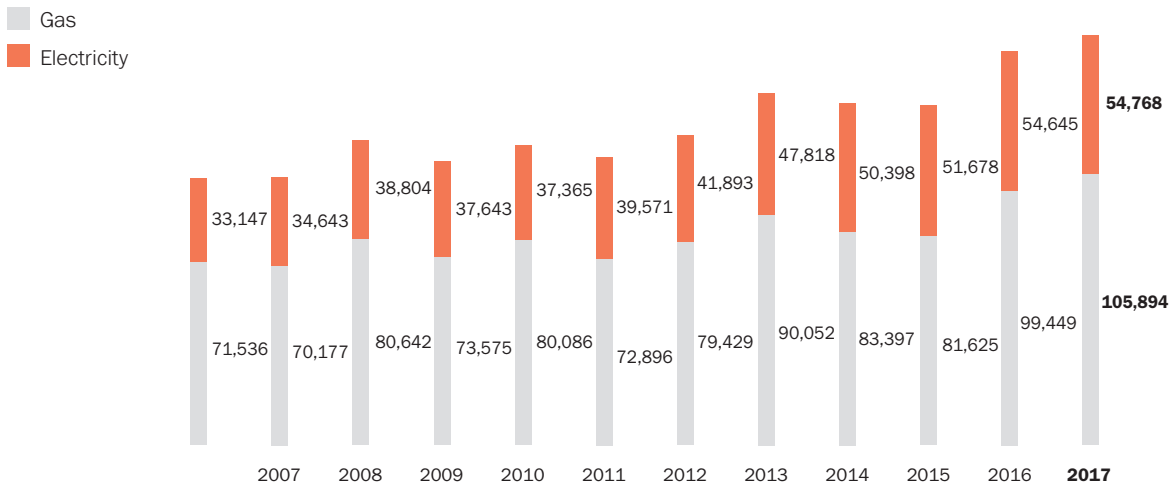
Since the Group launched its environmental programme in 2002, despite a four-fold increase in industrial output, energy consumption had only doubled, testifying to the improved management of consumption.

Overall energy consumption increased by 4.3% in 2017, compared to 2016 mainly due to the fact that at Saint-Louis (+20%), the new furnaces, currently fuelled mainly by natural gas, produced crystal throughout the year, and were back at the 2014 activity level.

The consumption of energy in the Textile, Leather and Tanneries divisions remained stable compared to 2016 in a growing business scenario, marking the efforts carried out in the field.

CHANGE IN ENERGY CONSUMPTION (IN MWH)

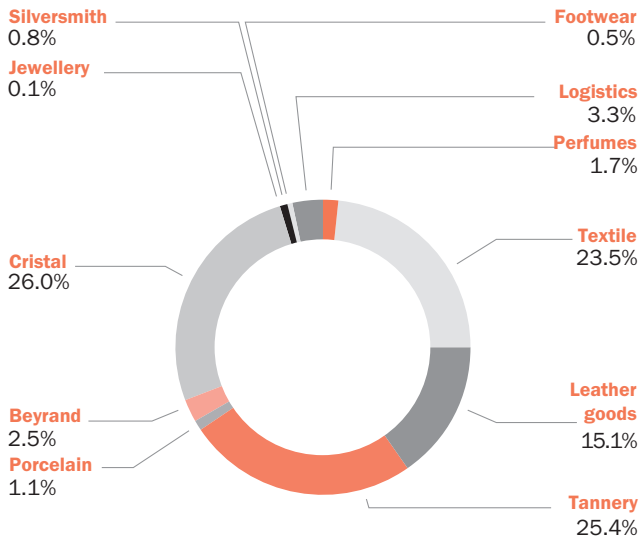
Total industrial consumption of the Group at constant scope between 2016 and 2017 (including Tanneries du Puy).



2

(excluding fuel oil and wood)

ENERGY CONSUMPTION (ELECTRICITY AND GAS) BY MÉTIER IN 2016



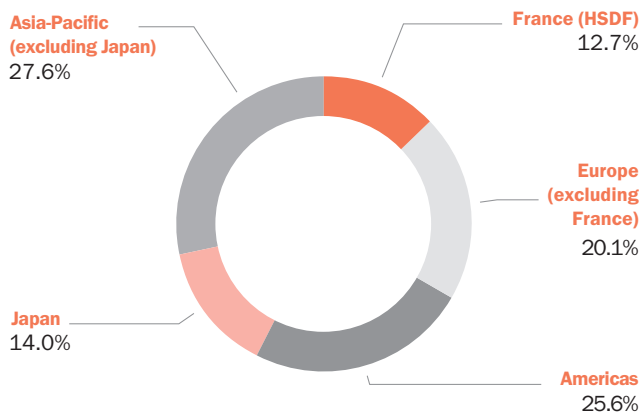
2.5.3.3 Construction

Stores consumed 31,234 MWh of electricity in 2017, down approximately 3% on 2016. These figures are explained in large part by a balance of sales surface areas, mainly in Asia and the United States, by store closures and openings.

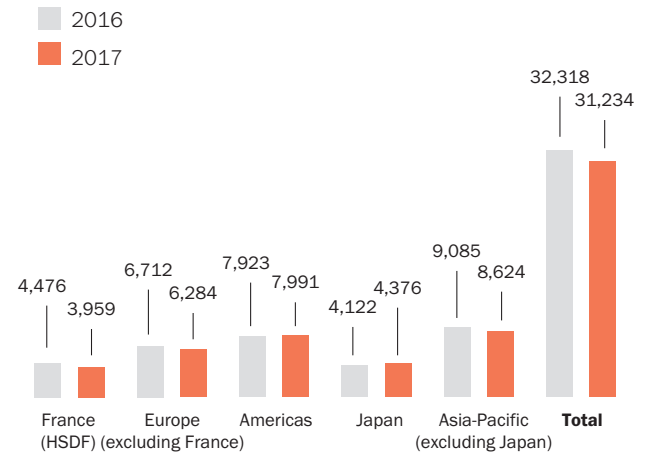
The downward trend in the ratio of energy consumption to sales surface (KWh/m²), especially in France and the United States, is attributable chiefly to the increase in LED lighting together with improved management of energy consumption, which continued to become more widely used in 2017.

Offices and ancillary premises consumed 16,510 MWh in 2017, 14,025 MWh of which was accounted for by the Paris and Pantin sites.

ELECTRICITY CONSUMPTION OF STORES BY GEOGRAPHICAL AREA IN 2017



ELECTRICITY CONSUMPTION OF STORES BY GEOGRAPHICAL AREA (IN MWH)



From 2017, the new Maroquinerie l'Allan in the municipality of Allenjoie (Montbelliard) produces 20% of its energy needs in electricity, using photovoltaic panels installed on the roofs of the building.

In the USA, the new Dayton logistics centre in New Jersey has been equipped with photovoltaic panels on the roof allowing them to produce the electrical energy required by the site.

2.5.4 OUTCOMES BY SECTOR (WATER, ENERGY)

Leather Goods

With the strong growth in production and the workforce, the Leather and Saddlery division has set itself the goal of stabilising its consumption of energy and water relative to the level of activity. This therefore amounts to reducing them at constant scope. New production units are built with an eye to their future energy performance.

	2012	2013	2014	2015	2016	2017
Water in cubic metres	22,234	23,549	23,763	27,929	24,590	27,274
Electricity in megawatt hours	12,468	12,233	12,468	13,581	14,317	15,217
Gas in megawatt hours	8,070	8,276	6,395	7,071	7,533	8,975
Fuel oil in megawatt hours	0	0	0	0	0	5
Wood in megawatts-hour	377	338	446	546	495	444
Level of activity	126	138	147	162	175	192

The data processed do not include the Faubourg saddlery workshop, which is included in other scopes.

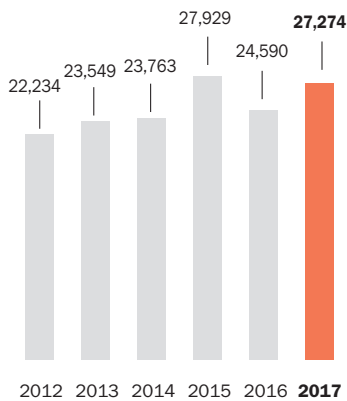
WATER

The production unit of the Hermès Leather Goods & Saddlery division has a relatively low environmental impact in terms of “Water”. In fact, water is used only for sanitary purposes and for carrying out tests relating to the fire fighting systems. No volume of water is used for the process. The environmental impact in terms of “Water” is taken into consideration when designing new production units: The recently constructed l'Allan facility enjoys a rain water harvesting system that supplies water to the sanitary areas.

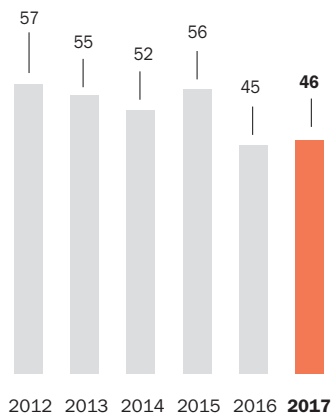
Closer monitoring within each factory, makes it possible to control water consumption in the best possible manner and identify, if need be, possible technical problems of leakages.

With a consumption of 27,274 m³ in 2017, the water consumption ratio of the Leather division, which enables water consumption to be measured with a constant level of activity, remained stable.

LEATHER AND SADDLERY DIVISION – WATER – CHANGE IN CONSUMPTION (IN M³)



LEATHER AND SADDLERY DIVISION – WATER – CONSUMPTION AS A PROPORTION OF REVENUE (BASE 100: 2007)

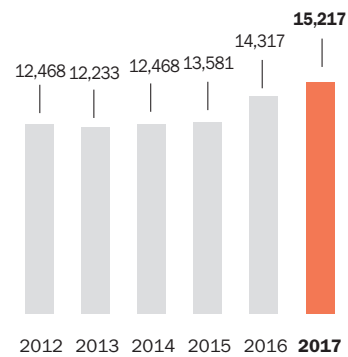


ENERGY

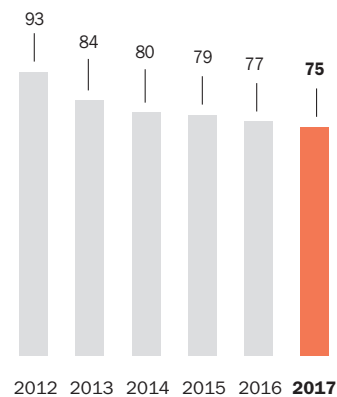
The energies used by the Leather Goods division are as follows:

Electricity: electricity is the main power source for tools in the production units, as well as equipment for buildings. The ratio, at constant productivity, improved between 2016 and 2017. This decrease illustrates the focus on energy management in the context of equipment renewal: the criterion of electricity consumption was chosen as one of the decision-making factors in the implementation of the machine investment strategy.

LEATHER AND SADDLERY DIVISION – ELECTRICITY – CHANGE IN CONSUMPTION (IN MWH)



LEATHER AND SADDLERY DIVISION – ELECTRICITY – CONSUMPTION AS A PROPORTION OF REVENUE (BASE 100: 2007)

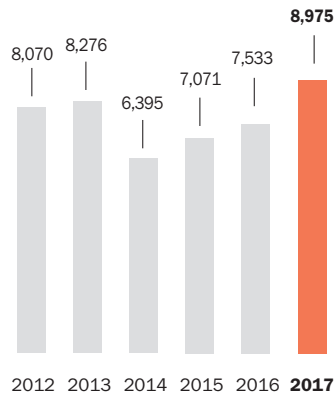


Gas: gas is used only to heat sites. With a consumption of 8,975 MWH in 2017, the gas ratio increased compared to 2016. The reason for this is:

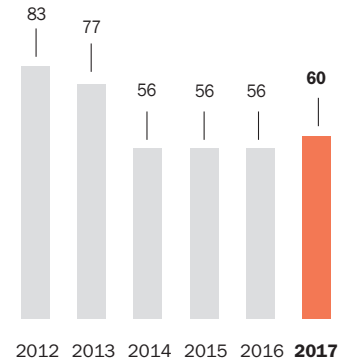
- ♦ the commissioning of a gas heating system in one of the production units to replace an existing device;

- ♦ the operation of new production units showing, in the first few months, a less efficient [gas energy consumed/productivity] ratio than the average for 2016, deteriorating the ratio of the division;
- ♦ the use of “relay workshop” & “leather school” buildings dedicated to training, similarly presenting a less efficient [gas energy consumed/productivity] ratio than the average for 2016, also deteriorating the ratio of the division.

LEATHER AND SADDLERY DIVISION – GAS – CHANGE IN CONSUMPTION (IN MWH)



LEATHER AND SADDLERY DIVISION – GAS – CONSUMPTION AS A PROPORTION OF REVENUE (BASE 100: 2007)



Heating with wood: Heating is performed entirely with wood within the production units of Belley and Abrets. The Nontron site also has a wood-fired boiler. For the Leather Goods division as a whole, wood represented 5% of energy consumption serving to heat buildings.

Of all the energy consumed by the division in 2017, the share of renewable energy represents 8.6%.

Tanneries

In the same way as issues related to employee health and safety, improving environmental impacts (water, energy, waste) is one of the priority tasks of the production sites' EHS managers. Information is also shared within the division.

	2012	2013 ¹	2014	2015	2016 ²	2017
Water in cubic metres	87,649	180,340	155,455	184,956	501,775	436,997
Electricity in megawatt hours	3,555	5,529	6,143	6,572	10,627	11,031
Gas in megawatt hours	7,230	13,541	11,788	15,019	30,085	29,731
Fuel oil in megawatt hours	-	55	35	52	48	59

(1) The reporting scope has included the tannerie d'Annonay since 2013 (acquired in December 2012).

(2) The reporting scope includes Les Tanneries du Puy, bought in November 2015.

A total of €1.4 million was invested in the prevention of environmental risks. Most of this investment went towards the modernisation of water treatment plants, the other part went towards the optimisation of energy and water consumption.

WATER

The division's water consumption was down 13% compared with 2017. It was mainly due to Tanneries du Puy's reduction in water consumption, which accounts for 55% of the division's water consumption, and was the result of the control and reduction efforts carried out during the year.

The average water consumption/activity ratio increased in the exotic tanneries scope, mainly due to changes in the manufacturing processes at certain sites. On the other hand, it has decreased in the scope of calf leather tanneries because of the significant fall in the Tanneries du Puy's water consumption for equivalent production of hide.

The water consumption issues are based on monthly monitoring of the tanneries' water consumption, preventive maintenance programmes for facilities, installation of sub-meters, regular verification and sampling of meters, and programmes to raise employee awareness and even work on the facilities as was the case at Tanneries du Puy during the last quarter

with the optimisation of hot water distribution networks for production needs. Significant discrepancies not related to production differences are also analysed. The necessary verifications are immediately carried out by the maintenance teams, in order to locate and repair any possible leaks.

Textiles

Despite the 12% increase in the division's activity level, the actions carried out during the year made it possible to control water and energy consumption:

	2012	2013	2014	2015	2016	2017
Water in cubic metres	238,760	269,232	275,995	256,534	210,577	219,968
Electricity in megawatt hours	11,673	12,586	14,050	13,034	12,856	12,081
Gas in megawatt hours	26,324	27,115	27,175	25,407	26,016	25,702

These results (change of +5% in Water, -1% in Gas and -6% in Electricity) are the fruit of the shared objectives and concerted actions for reducing consumption within the division. The ambitions are laid down in a document, the HSE HTH Charter.

In order to achieve these goals, and since late 2016, the textiles division modified and fine-tuned its HSE structure, to allow the site directors and their managerial staff to fully shoulder their responsibilities. The inclusion of management as a central organisational component allows us to drive our performance with commitment, to enhance our responsiveness, and to upstream environmental considerations that relate to local projects, but also to ensure that our ambitions are shared by all.

This vision, our values and standards were captured in HTH's HSE Charter, which was distributed to employee representative bodies, division managers and employees.

Finally, the implementation of this reorganisation revealed specific skills requirements for high-stakes positions. Resources were allocated to achieve them. As a result, we recruited a number of employees, in particular an environmental technician, and will continue to build our team in 2018.

ENERGY

The power consumption of the division remained stable in 2017. The average ratio of energy consumption to revenue was identical on the scope of calf leather tanneries. However, there was a slight increase in two exotic leather tanneries due to the expansion of machinery fleets and improvements to capture and ventilation systems on work premises.

Water

The Silk division's water consumption was up 4.5% and was thus down in view of business growth. During the course of 2017, we conducted many team awareness-raising activities relating to the issue of controlling our consumption, involving communications in internal newsletters, sharing indicators at plenary meetings, and incorporating targets into incentive agreements and individual goals. This significant effort of raising awareness among employees contributed more generally to making each person committed to the fight against wastefulness.

The three AEI sites, the Ateliers AS and SIEGL, which are the division's major consumers of water, established daily tracking of water consumption with systematic analysis of causes when deviation is detected. Production planning was also optimised to promote the grouping of processing types, thereby reducing water consumption.

For the SIEGL site, the investment made in 2016 in washing equipment resulted in a net reduction in 2017 in water requirements for this workshop. At the same time, the improvements made to the treatment station are yielding their initial results in terms of consumption: in 2017, 5% of water consumed was sourced from the recycling process, and this portion will increase once the installation of the new equipment is completed.

Energy

The initiatives implemented on production sites decreased overall energy consumption by 2.8%. Examples of achievements are described in paragraph 2.5.5.

Perfumes

	2013	2014	2015	2016	2017
Water in m ³	3,756	3,723	3,489	2,820	2,758
Electricity in megawatt hours	1,533	1,579	1,591	1,563	1,501
Gas in megawatt hours	1,774	1,289	1,378	1,411	1,281
Fuel in megawatt hours	4	4	11	9.5	9.5

Water

Water consumption at the site is down 2% compared to 2016. This is explained by the transfer of the CNP site's Leather goods business, where approximately 100 craftsmen were moved to the Maroquinerie de Normandie in early 2017. Water is used almost exclusively in the washrooms and company restaurant, and occasionally for washing tanks and to top up the fire system reservoir.

Energy

The increase in natural gas consumption, dedicated entirely to the heating of premises and catering was down by 9.2% in 2017. This decline is explained by the decline in heating requirements related to the more favourable winter conditions and the transfer of the CNP site's Leather goods business. Electricity consumption was also down 4% compared to 2016 for the same reasons.

Fuel consumption remained stable. Fuel is used to supply energy to the sprinkler system, which is tested every week.

Watches

The Watches division consists of La Montre Hermès (design, manufacturing and distribution of watch products) and Ateliers Hermès Horloger (manufacturing of watch cases and dials), born from the merger of Joseph Érad and Natéber at the end of 2016.

	2012	2013	2014	2015	2016	2017
Water in cubic metres	5,437	6,013	6,539	6,271	4,043	2,516
Electricity in megawatt hours	509	1,027	1,141	1,211	1,228	1,319
Gas in megawatt hours	118	94	93	109	104	0
Fuel oil in megawatt hours	-	304	154	134	128	133

Water

As a continuation of the initiatives undertaken in 2016, the work at the Noirmont site for accommodating activities formerly located at Nateber reduced our water consumption by 38% between 2016 and 2017, thanks notably to the effluent treatment station and the recycling of water in the surface treatment process.

Energy

The division's overall energy consumption was stable between 2016 and 2017.

Electricity consumption was up by 7.4% after combining the activities, but this increase is offset by the fact that gas is not used as energy on the Ateliers Hermès Horloger site.

Crystal

In 2017, the production unit's activity level was up in terms of value, and this, despite the major difficulties encountered to stabilise the melting process of the new B4 furnace, which required several months of development.

	2012	2013	2014	2015	2016	2017
Water in m ³	12,992	15,850	15,235	11,662	10,578	12,275
Electricity in megawatt hours	8,563	8,797	8,584	8,578	7,534	6,599
Gas in megawatt hours	32,474	34,428	31,296	27,020	27,303	35,193
Fuel in megawatt hours	93	101	142	189.5	95.6	70.9

Water

Water consumption for 2017 was 12,275 m³. To compare this volume, we must go back to 2014, which, like 2017, included a full 12-month operation of the continuous recuperative furnace and the pot furnace, which was not the case in 2015 (renovation of the pot furnace), or 2016 (renovation of the continuous recuperative furnace). The year 2017 shows a growth of around 19% over 2014, reflecting the technical optimisations integrated in the new melting methods, as well as all organisational efforts to reduce water consumption.

Energy

Overall energy consumption changed as a result of the replacement of the main melting tool at the end of 2016. The various technical modifications (electrical boosting of the melting, replacement of the heat recovery unit, operating adjustments) made in 2017 to stabilise this new tool, had an impact on the energy consumption profile. The second part of the year, after these adjustments to the melting, was more representative of the consumption of the B4 furnace under normal operation.

Overall in 2017, electricity consumption has decreased, since the share of power consumption of the new continuous recuperative furnace was lower than that of the previous one. Consumption of natural gas had increased, since the share of natural gas consumption of the new continuous recuperative furnace was much more than on the previous installation.

Rationalisation and the gradual replacement of the “openings” of the hot-part workshops will help reduce the workshop’s natural gas consumption. The replacement in 2017 of two boilers and a hot air generator, whose circuits are now connected to a centralised natural gas boiler, will also contribute to the site’s energy efficiency.

The site’s fuel consumption corresponds to that of the generators and for the first half-year to the consumption of the site’s last oil-fired boiler. In summer, this was replaced by a connection to the recently installed central heating plant.

Porcelain and Enamel

CATE

	2012	2013	2014	2015	2016	2017
Water in cubic metres	1,615	1,883	1,733	2,230	2,248	2,066
Electricity in megawatt hours	1,229	1,222	1,208	1,208	1,290	1,204
Gas in megawatt hours	547	696	499	494	487	534
Fuel oil in megawatt hours	31	31	33	33	34	0

Water

The Nontron site uses water in its manufacturing process for the decoration of porcelain and for the enamel activity.

In 2017, overall water consumption was down 8% compared to 2016. This decline was driven mainly by the initiatives taken throughout the year:

- ♦ use of tray reducers that can be inserted into the dipping tanks of new decoration workstations: the height of the dipping water is unchanged, but the surface is cut by between 40% and 50%. The reducers installed end of 2016 were used throughout 2017;

- ♦ research, signalling and systematic treatment of all water leaks.

Energy

The site’s energy consumption was up 4% compared with 2016. The increase is attributable to the electricity consumption by the porcelain furnace, since the opening time of furnaces had been reduced compared to the previous year.

BEYRAND

	2012	2013	2014	2015	2016	2017
Water in cubic metres	4,150	4,243	3,936	2,706	2,791	2,481
Electricity in megawatt hours	2,550	2,425	2,482	2,473	2,374	2,282
Gas in megawatt hours	1,709	1,627	1,218	1,779	1,916	1,803
Fuel oil in litres	4,501	3,000	3,000	0	0	0

Water

Water is primarily used for sanitary purposes, to supply the automatic fire suppression network and for the washing and development of frames. Water consumption was down in 2017 due to the decline in the production of films that are replaced by the new Computer to Screen technology.

Energy

The principal source of energy consumption is to control humidity and temperature of the workshops.

Energy consumption depends mainly on climatic conditions, which resulted in a decline in consumption in 2017 due to more favourable weather conditions.

Silversmithing and Jewellery

	2012	2013	2014	2015	2016	2017
Water in cubic metres	486	358	269	221	225	[NC]
Electricity in megawatt hours	200	175	178	153	133	142
Gas in megawatt hours	12.7	10.4	8.0	7.1	6.1	5.8

Water

The provider's faulty monitor did not enable us to monitor our water consumption in 2017. However, process-related consumption rose consistently in terms of activity.

Energy

A change in the electricity meter made it impossible to identify Puiforcat's specific electricity consumption in 2017. Consumption for 2017 was estimated.

Logistics

	2012	2013	2014	2015	2016	2017
Water in cubic metres	4,274	4,246	5,771	5,921	7,385	6,318
Electricity in megawatt hours	2,040	2,016	2,209	2,977	2,797	3,060
Gas in megawatt hours	2,224	2,305	2,726	3,104	2,374	2,201

A monitoring software that dynamically controls consumption has been deployed on the Bobigny Logistics site. It specifically tracks anomalies in the consumption profile.

Energy

Energy (gas and electricity) consumption was generally stable in a context of increasing activity.

Water

Water consumption was back to normal in 2017.

2.5.5 MEASURES TO IMPROVE ENERGY EFFICIENCY

Leather Goods

In the context of designing new leather goods, special attention was paid to environmental impacts and more particularly to energy consumption.

Anticipative work organised around four areas of work:

- ◆ energy consumption: this parameter is one of the main challenges of the technical programmes for the new Leather Goods division. Once the 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 solution that is most suited to the project is selected. For example, the building of the last Leather Goods division put into operation at the end of 2017 (l'Allan production unit), was constructed ensuring that it met the highly demanding level of the HQE (High Quality Environmental standard) label, i.e. it exceeded the objectives of the 2012 Thermal Regulation standard by 30% (regulation laid down at the Grenelle Environment Forum, which aims at limiting the primary energy consumption of new buildings). To do so, reinforced thermal insulation and sealing were carried out on solar installations for the production of hot water and optimum output equipment (heat pump, etc.);
- ◆ energy management tools: as soon as the new Leather Goods division 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 Leather Goods division put into operation (l'Allan production unit) has a park of photovoltaic panels for generating electricity of up to 152 kWc for own use. Nontron has a thermal solar power system that provides 100% of the hot water consumption in washrooms;
- ◆ minimum consumption by equipment: the energy impact of the equipment 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 the new Leather Goods division but also in existing ones, is more energy-efficient. This approach can be implemented through a partnership with suppliers.

Tanneries

The tanneries are working to improve the energy efficiency of their facilities. For example, the tannery of Vivoin continued its work on the thermal insulation of buildings and optimised control of the hot water network. The Tanneries du Puy also worked to reduce heat loss when supplying hot water to production areas with the installation of a re-circulation loop. At Cuneo, electricity production from 296 photovoltaic panels installed on the roof of the tannery totalled 59 MWh, representing 8% of the site's total electricity consumption in 2017. The production was down slightly

compared with 2016 due to adverse weather conditions at the end of the year. It is used entirely for tanning processes during the week and is injected back into the grid on weekends. Gas cogeneration used to simultaneously produce hot water and electricity worked throughout the year. Lastly, the Montereau and Vivoin tanneries continued implementing improvement plans determined by regulatory energy audits performed in the second half of 2015.

Textiles

At each production plant, the equipment was modified and programmed to limit energy consumption.

At ITH the temperature regulation systems (Rooftop) were replaced by more economical systems; this modification was made in response to the energy audit conducted on the site in 2016.

The combustion and process equipment was modified and programmed to limit energy consumption, in particular on the Ateliers AS and SIEGL sites, which are the main consumers. The installation of economisers on the boilers, variators on the primary pumps and shutdown of the boiler room on weekends are a few examples of the optimisations that were achieved.

The modernisation programme for SIEGL's treatment plants, which was launched in 2016, also had impacts on the site's consumption of electricity. This was due to two major factors, namely: channelling our effluents to a smaller tank, which allowed us to reduce the number of homogenisation devices, and replacing filter membranes with new, more efficient technology.

With respect to gas, the division achieved a 2% decrease in consumption. This result is due to the replacement of the vaporiser at SIEGL which, in spite of a period of tests involving overconsumption, enabled the facility to reduce its annual consumption once the situation had been stabilised. As a result of the initial results achieved, we expect to be able to save 5% during the course of 2018. At the AEI site, the replacement of an old boiler by more efficient technology also means that we can expect to reduce our energy consumption in 2018.

The division also pursued its programme of deploying LED lighting; the printing and weaving workshops are now equipped (colour, fixing, and rinsing facilities, and printing lines) and we will gradually be completing the deployment of these solutions in the offices and meeting rooms. As the use of lighting represents approximately 10% of our electricity consumption, this remains an important issue for the division.

Finally, our activities involve a high degree of interdependence between water consumption and energy consumption, since we heat most of the water that is consumed. As a result, when we are able to maintain a high degree of control over one of these parameters, this can actually have an impact on the other.

Perfumes

The campaign to replace existing lighting with LED systems in various buildings, continued in 2017, especially in the processing workshop and on pathways.

The burner of one of our boilers operating on natural gas and used for heating buildings was also replaced. This new burner made it possible to adapt the operation of the boiler to the sanitary hot water supply and external temperature.

Crystal

The processes using the most energy at the production unit are melting the raw material and working with it while hot. During each investment project, the best available technology in terms of energy efficiency and production volumes are researched, then implemented. The latest two renovated furnaces (pot furnaces and continuous recuperative furnace) as well as the reorganisation of the hot-part workshop are good examples thereof.

The initiatives implemented in 2017, particularly the optimisation of the operating parameters of melting tools, renovation of the re-firing furnace and (operating on natural gas) or the gradual replacement of consumer equipment, particularly identified in the context of the energy audit carried out in 2016 (e.g.: openings of the hot-part workshops, certain boilers help improve the production unit's energy efficiency).

Construction

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 all the window displays, shelving and ceiling lights has been extended to all new store projects. In 2014, the retail projects department introduced a range of LED bulbs specially developed for Hermès and suitable for all existing installations and equipment.

In 2017, in addition to the new stores, relamping with LED systems continued on the global network of existing stores, bringing the total proportion of Hermès Group stores equipped with LED lighting systems to 70%.

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 store and renovation projects throughout 2017.

Thermal insulation

Particular attention is paid to insulating store façades (special glazing) and industrial buildings (improved external insulation).

Renovation of the thermal insulation of roofs and facades in 2013, at the production site of CNP Comptoir Nouveau de la Parfumerie in Vaudreuil (Normandy) helped reduce the site's annual gas consumption by 35%.

Other initiatives (installation of electricity consumption sub-meters and motion detector systems in fitting rooms, washrooms and back offices) were taken on all new store projects in 2017. These automated energy consumption consolidation systems offer constant visibility allowing rigorous management of energy use. Ever more efficient new technical solutions are constantly being evaluated for progressive incorporation into existing stores.

2.5.6 EFFECTIVE SOLUTIONS FOR WASTE MANAGEMENT

The manufacturing units, with their technically different processes, generate a wide diversity of pollutant releases: each industrial division is focused on the dual objective of reducing pollutant releases and improving treatment to minimise its environmental footprint. This demands continuous monitoring as new processes or new technologies in this field are invented every year.

Leather Goods

Leather goods production units represent limited sources of pollutant releases, due to manufacturing procedures that are essentially manual and respectful of the environment.

Air quality inside workshops is regularly analysed to ensure its quality. Production sites have systematically replaced solvent-based adhesives with water-based adhesives. Air conditioning, ventilation, heating, gluing and sanding equipment that generate air emissions are fitted with filtering devices that guarantee the quality of the air emitted.

Tanneries

Each tannery is equipped with an effluent treatment station and verifies its industrial pollutant releases in compliance with the applicable standards. Regulatory inspection reports are submitted to the local authorities on a regular basis.

The division's tanneries continually work on improving the performance of effluent treatment. The Montereau site therefore continued its research on the sources of pollution in 2017 and conducted a pilot test on complementary treatment. The Vivoin site meanwhile continued its work to develop and secure the treatment of its effluents. After the installation of a new press filter in 2016, a new effluent homogenisation

tank was built on the site based on the recommendations of the technical and economic study on wastewater treatment plant carried out last year. A similar study was conducted on the Tanneries du Puy site during the year to optimise current treatment. Already, equipment operation has been modernised and made more reliable particularly at the level of the decanter and the electrical installations. The treatment plant of the Annonay Tannerie also underwent further improvements.

The tanneries division's 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 compliance with the applicable regulations.

Finally, each year, in keeping with regulations, the French sites prepared a management plan for their solvents.

Textiles

The sites subject to self-monitoring of effluents benefit from regular and controlled adjustments, the sampling and analysis processes are reviewed regularly in collaboration with the stakeholders (metropolis, water agency, DREAL). Regular maintenance and preventive maintenance programmes are in place for all of our water treatment equipment.

The treatment plant renovation project has been launched at SIEGL. It will make it possible to reduce discharge and increase water recycling for the process.

Perfumes

In 2017, releases of VOCs (Volatile Organic Compounds) were well below the emission limit of 5% set for the perfume industry. These VOCs primarily consist of ethanol, a product that is not bioaccumulative, presents no measurable risk to animal and plant life, and vaporises and biodegrades quickly.

Crystal

Industrial wastewater, pre-separated in the respective workshops and collected at a single point, has been purified by a new phytotreatment facility since 2015. An awareness programme is ongoing, to educate users in the treatment of water to sustain the performance of the new facility.

To further improve the quality of wastewater discharges and anticipate potential regulatory changes, a study has been conducted with the water board and an external partner. Following this study, a pre-treatment process for effluents from the most volume-producing workshop was developed and tested for three months on site using a pilot facility. Parallel investigations also led to a better understanding of the physico-chemical mechanisms and properties of our effluents to further improve the quality of our effluents before discharge. The conclusions of the technical

and economic study will be sent to the authorities in the first quarter of 2018.

Measurements of air emissions were carried out in the first and third quarters of 2017. The results confirm air emission readings bearing on the operation of the facilities and in particular the conformity of the new emission point corresponding to the dust collector of the B4 furnace.

Porcelain and Enamel

CATE

Wastewater from the enamel activity is pretreated directly on site by a conventional physicochemical 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.

Work was carried out in early 2017 with a view to improving the automation of the installation, reducing sedimentation effluent in the works and increasing wastewater storage capacity in the event of systems failure. Inspections of structures carried out during shutdowns show the absence of sedimentation due to the work carried out.

Beyrand

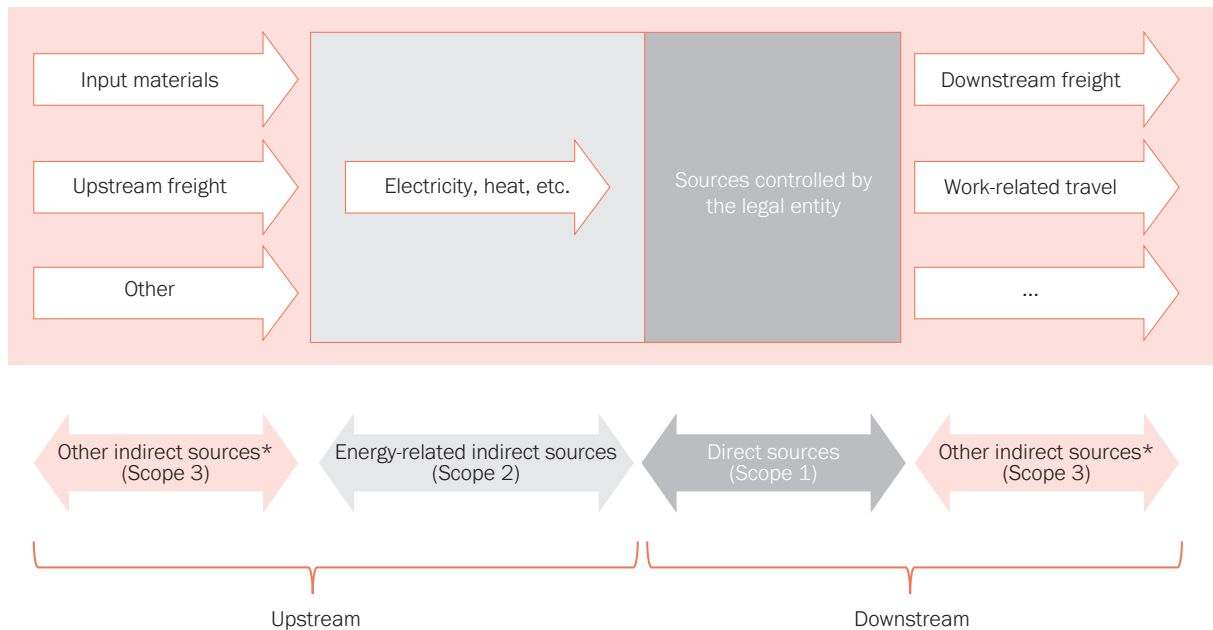
The site has a water treatment station at the exit of the washer/scouring sluice. It uses a physicochemical process. Silver recovery units have been installed at the exit of the film developers. Analysis of the conformity of the discharge of wastewater in the public network is carried out every year.

2.5.7 REDUCTION OF THE CARBON FOOTPRINT AND OFFSETTING

As illustrated above, Hermès is gradually taking concrete measures to reduce its energy consumption and carbon footprint. In addition, the Group decided, in 2012, to establish a voluntary carbon offset system in order to reduce its overall impact.

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 12 July 2010), in December 2015 Hermès published its Bilan Carbone®, 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).



* Sources of emissions unaffected by regulatory requirements
Source: Ministry of the Environment, Energy and the Sea

The results of this study provide data for analysis of the Group's environmental impacts and enable action plans to be drawn up within the framework of our Water – Energy – Carbon – Waste plan, which has been in place since 2010. Because our activities are highly diverse and emissions vary widely from one division to another, each métier line drew up a plan addressing its own issues. All of the measures taken within this programme are aimed at reducing Hermès' impact on climate change.

Hermès' scope 1 and 2 emissions total less than 32.6 thousand tonnes of CO₂ equivalent, (compared with 32 in 2016).

The main sources of scope 3 emissions are logistics and packaging (approximately half of scope 3 emissions) and external purchases excluding packaging (less than one-quarter of scope 3 emissions). Work has been undertaken on both of these sources, including low-carbon logistics solutions (for example, the French logistics centres use hybrid or electric vehicles for deliveries to the Parisian sites).

In June 2012, as part of its carbon offsetting strategy, Hermès also joined the Livelihoods Fund (LH), a group of companies financing carbon offset projects with high social and environmental value. Livelihoods initiatives are described in the chapter concerning relations with stakeholders, notably explaining that more than 130 million trees have been planted. The fund, whose carbon credits will expand as the trees grow (the projects concerned span periods of 20 years), for the fourth time delivered carbon credits to its shareholders in 2017, after verification from specialised auditors (using the Gold and VCS standards). In 2017, they served to offset two-thirds of Hermès' scope 1 and 2 carbon emissions.

The key initiatives taken by the métiers and subsidiaries in this area in 2017 are described below.

Leather Goods

The Bilan Carbone® (Carbon Assessment) initiative was launched within the Pierre Bénite facility in 2006, and extended to the entire division in 2008. The regular measurement of carbon emissions serves to verify that the carbon footprint grows at a slower pace than our business, and that the distribution of the contributing elements is stable year on year: one-half of emissions come from raw materials, one-quarter from staff commutes and one-quarter from energy consumption. It also contributes to the Water – Energy – and Carbon progress plans, with concrete actions such as the use of an electric service vehicle, or increasing the share of renewable energies used.

Tanneries

The Bilan Carbone® (Carbon Assessment) from the Tanneries and Precious Leathers division has been updated for the year 2017. CO₂ emissions in the division decreased slightly between 2016 and 2017 (-5%). This decline in emissions is essentially due to a reduction in emissions related to the supply of raw skins and the use of chemical products. These sources of emission as well as the energy consumption account for close to 95% of emissions from production sites, with the energy consumed (gas and electricity) alone accounting for half of these emissions.

In 2010, after repeated tests, a maritime transport system was set up for *Alligator mississippiensis* from the southern United States and *Crocodylus niloticus* from Africa. In 2013, the system was extended to *Crocodylus porosus* from Australia. In 2017, more than half of crocodylian skins received in tanneries from the United States and Africa were shipped by sea.

Textiles

The Bilan Carbone® (Carbon Assessment) for the entire division is reviewed every year. This effort contributed to the divisions Environmental action plans. The activities producing the most emissions are purchasing (fabrics, chemical products and packaging), energy, inter-site freight, upstream freight and commuting.

We are working on a daily basis to reduce our impact on these major areas.

For example the role of the transport and customs unit, which was set up within the division during the course of 2017, is to optimise travel and streamline our transportation operations. The team is currently working on the reorganisation of our inter-site shuttle service to improve our performance, reduce short-notice transportation and combine deliveries based on location. The purchasing department also endeavours to order the right amount of materials and chemicals to optimise our stock levels and limit the risk of obsolescence.

Perfumes

The areas representing the vast majority of CO₂ emissions are still packaging and downstream freight (especially airfreight). The total amount of CO₂ emissions increased between 2016 and 2017, due entirely to the increase in volumes of perfumes produced and packaged in 2017, as well as the corresponding increase in purchases of materials and packaging.

Watches

Performed at La Montre Hermès each year since 2013, the Bilan Carbone® (Carbon Assessment) now includes Érard and Natéber, which have been combined on the Noirmont site, in order to provide an overall view of the emissions and to steer the reduction projects throughout the Watches division.

Crystal

The Bilan Carbone® (Carbon Assessment) for the production unit was updated in 2017. The latter changed slightly, mainly because of the change in the production unit's energy mix. The share of energy used in melting the raw material was once again predominant. Due to the change in the continuous recuperative furnace technology, electricity consumption (not included in the calculation) had decreased, whereas the consumption of natural gas (included in the calculation) had increased. The data used to perform the Bilan Carbone® (Carbon Assessment) has been made more structured and reliable, notably through the use of more detailed data on freight and transfers. This analytical approach nurtures the production unit's projects and is factored into its Water – Energy – Carbon plan.

Construction

In 2017, a precise Bilan Carbone® (Carbon assessment) was carried out on a Hermès store in Asia, making it possible, on the one hand to assess the environmental impact of a store and, on the other hand, to establish a benchmark of a standard layout so as to direct our ambitions of reducing CO₂ emissions on future projects through a Hermès sustainable construction benchmark.

Special attention is given to the choice of building materials, a reduction in their weight, an effort to source supplies locally and their low carbon emission mode of transport to improve the Bilan Carbone® (Carbon assessments) of new buildings and new stores.

The Group is therefore attentive to the consequences of climate change on its business, it being understood that these products and services have a low impact per se.

2.5.8 LAND USE

The Group's industrial activities do not contribute to the degradation of productive land, 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 where the sources of supply of raw hides are located. 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.

During the summer of 2017, the exteriors of the AEI textile site were entirely renovated. Vehicle traffic flows were then examined in order to eliminate any soil contamination.

2.5.9 NOISE AND OLFACATORY 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 made around the sites to check that they comply with the standards applicable to them.

Tanneries

In connection with the current production activities, as well as any isolated operations (such as maintenance or civil engineering operations), the sites seek to avoid and/or reduce noise and olfactory pollution as much as possible. The Tannerie d'Annonay conducted a complete study on capturing and treating odours, and an initial investment was carried out in 2017 for this purpose, which will be completed in 2018. Regular measurements of emissions are carried out by the tanneries and, in the event of an incident, a search for the cause is immediately carried out, triggering corrective actions that are undertaken in tandem with state, city and DREAL authorities, as well as with local residents.

Lastly, when required by the regulations, the tanneries may be compelled to carry out noise measurements on property boundaries. The latest measurements did not bring to light any excess noise above authorised limits.

Perfumes

The noise and olfactory pollution of the activity on the Vaudreuil site is very limited. No complaints have ever been received from the neighbourhood.

Noise measurements are regularly carried out on the property boundaries to monitor this aspect. The main sources of noise are the technical equipment on the roof (ventilation, air conditioning) and truck traffic during working hours.

Crystal

Acoustic diagnostics were carried out in 2017 to assess the level of noise generated by the site. This campaign highlighted the decrease in noise levels emitted over the past ten years and made it possible to identify the actions to be implemented to continue this progress.

The environmental monitoring plan validated by the authorities was implemented and will be completed in 2018.

Beyrand

Since the site is located in the centre of a village, work was carried out in 2016 in order to reduce noise at the property boundaries to a significant degree. Measurements taken before and after the installation helped highlight the reduction. Since then, no complaint from the neighbourhood was recorded in 2017.

2.5.10 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. At the major sites in Paris, the catering service provider has set up a system to ensure waste sorting and the recycling of food waste.

2.5.11 ENVIRONMENTAL LIABILITIES

The amount of the provisions for risks in environmental matters is made up of provisions of costs for asbestos removal work on the roofs of the buildings of the Tanneries du Puy. This amount comes to €4.3 million.

No company in the Group was required to pay compensation in 2017 as a result of a court ruling concerning the environment.

2.5.12 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 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 (chapter 2.5.1.1).

No. 6: Clean water and sanitation

- ◆ 6.3 "Improve water quality".

The Group and all of the métiers (tanneries, crystal, textiles, and so on) have been actively working on controlling water consumption and managing runoff since 2002, which are considered to be important issues. Hermès is achieving significant results, (chapter 2.5.2), having gradually uncoupled growth from consumption, and through the implementation of improved technical systems now available.

- ◆ 6.4 "Water stress".

The main métiers that are concerned (textiles, tanneries, crystal) are located in areas with low water stress. Improving discharge levels is naturally a subject to which we pay careful attention, and which is governed by very stringent European or US regulations. (chapter 2.5.6),

- ◆ 6.6 "Protecting wetlands".

The group is participating in the Livelihoods project, which is contributing to the restoration of coastal wetlands totalling over 18,000 hectares (Casamance, Sundarbans, Sumatra). In addition, the growth of the alligator farming industry in the last 20 years in the United States, to which the 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 is "green", which represents 2/3 of the Group's electricity use. In addition, the group has installed renewable energy devices (wood-fired boilers at production sites, photovoltaic energy at the sites and for the US logistics centre in New Jersey (chapter 2.5.5),

- ◆ 7.3 "Improve energy efficiency".

Our property management guidelines incorporate this concept into all new projects. We have seen a reduction in energy consumption in stores due to the replacement of lighting with LED equipment. At the end of 2017, 75% of stores had this equipment. In the industrial area, the decoupling of consumptions 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 and energy and water consumption;

No. 12: Responsible consumption and production

- ◆ The Group strives to manage waste materials and chemicals throughout their life cycle. A major player in France in several business lines (tanneries, textiles, crystal, etc.) the Group strives to implement the best available operating solutions, that are reliable and sustainable. 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).

No. 13: Climate action

◆ 13.1 “Strengthen resilience in response to climate-related hazards”.

Initiatives have been taken by various departments (industrial, property management, logistics) to contribute reducing energy consumption and greenhouse gas emissions (see above). In addition, Hermès contributes to the Livelihoods initiative (130 million trees planted), which partly offsets the 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 (including with respect to Livelihoods, during an event held in December 2017 that welcomed over 800 people at Hermès);

No. 14: Life Below Water

◆ 14.2 “Manage marine and coastal ecosystems”.

See section 6.6 on wetlands protection. Crocodile farming requires the implementation of wetland protection measures, to which the group and its partners make indirect contributions;

No. 15: Life on Land

◆ 15.1 “Protecting biodiversity”.

The 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). The group complies with regulations governing wood sourcing. Skins of European origin that are used by the group for leather goods do not come from farms that contribute to deforestation. The Livelihoods project has also assisted with the replanting of over 130 million trees.

2.6 SUPPLIERS AND PARTNERS

The majority of production is integrated in-house, in line with Hermès strategy that focuses on preserving unique savoir-faire and securing supplies (72% of our objects are made in-house). Our ability to grow is, however, also linked to the development of our suppliers, whose exceptional savoir-faire and future success will contribute to that of the Group. Most of our subcontractors and suppliers have been partners for many years, and these stable relationships mean that we can work closely and sustainably with our partners on a wide range of matters.

Hermès is committed to supporting the sustainability of our partners, and maintaining balanced relationships characterised by goodwill and high standards: we ensure that they comply with and share our social, environmental and ethical ambitions.

Aware of its social responsibility, the group also uses socially supported organisations in France for its direct and indirect purchases (see chapter 2.6.2 “Corporate responsibility and using socially supported organisations”).

2.6.1 SUPPLIERS MONITORING

For a long time, the Hermès Group’s supplier guidance management system has been suitably formalised. Operationally, each sector is responsible for the management of its suppliers. The métier-based approach guarantees proximity, understanding of issues and pragmatism of its mechanisms, while complying with the company’s rules. Coordination is provided by the Group through policies, tools and controls.

In 2017, supplier relationship coordination was reorganised into two main areas: direct purchasing, on the one hand, and indirect purchasing,

on the other. The main aim of these corporate functions is to coordinate the buyers’ network, notably reinforce the implementation of the supplier relationship framework. The audit and risk management department (A&RMD) provides coordination in liaison with the industrial department.

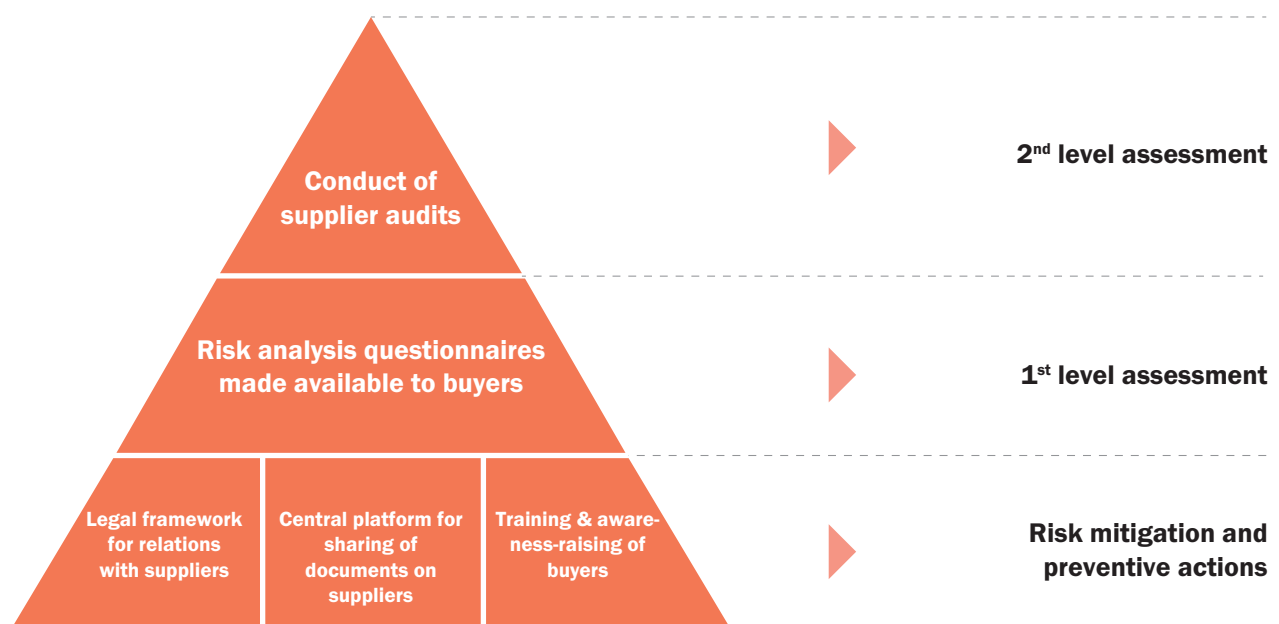
2.6.1.1 Duty of care

In 2017 the group continued work on its “reasonable monitoring plan” regarding its suppliers, in particular in relation to human rights, employee health and safety and environmental protection. In accordance with the recommendations of Law 2017-399 of 27 March 2017 concerning the duty of care of parent companies and contractors, the plan includes:

- (1) a risk assessment mechanism, structured around first- and second-level assessments, and risk mappings;
- (2) a management and mitigation mechanism (in particular for major violations);
- (3) an alert mechanism that is consistent with the House’s other internal alert mechanisms and whistleblower programmes (as detailed in the code of business conduct, see 3.2.1.3);
- (4) a tracking mechanism for major issues.

Risk assessment

The Group has produced a risk mapping, which is fed into by the mappings produced by each of the main sectors, distribution subsidiaries and support activities. Each of these mappings takes into account supplier and outsourcing risk, where these exist. In addition, each of the métiers has tools to produce its mapping of outsourcing and associated risks.



1st level assessment:

The direct and indirect purchasing corporate functions coordinate the House's network of buyers. They also carry out common, cross-functional actions, such as the development of risk analysis questionnaires to provide a first-level overview of supplier EHS compliance. They participate in establishing common rules for filling in and completing these questionnaires in the case of a new supplier, renewal and updating of this evaluation, and they ensure that this knowledge is shared throughout the network.

Field visits are carried out by each métiers, when during which they fill out the risk analysis questionnaire as an alert mechanism enabling any weak points to be identified.

2nd level assessment

If a buyer has a doubt about a given area, he or she may decide to complete the visit with a full audit, which will confirm or invalidate the diagnosis and lead to corrective action plans being implemented and monitored—or even the suspension of the relationship with the supplier if necessary.

The audits are conducted with the support of an external firm. They make it possible to perform an on-site check of supplier commitment, ensuring that relevant regulations are being complied with, and verifying the real working conditions and well-being of their employees. These audits are concluded with a shared statement and an action plan, if necessary, and are followed up. These audits cover in particular the following aspects:

SUPPLIER AUDIT



Risk Management and Mitigation

Buyers and more broadly those who are responsible for activities that are more directly concerned with supplier relations are reminded on a regular basis of risks on this subject, including through the development of internal control positions within the Group.

As described in several operational examples below, these actions must be specific.

The Group's ethics charter as well as the code of business conduct, described in section 3.2.1, provide a clear framework for all employees. In 2017, training continued on these subjects.

Training sessions are also organised by and for the House's network of buyers. The training pertains to the purchasing policy of the Group, legal rules, and tools, but also relates to raising awareness around risk and how to evaluate it.

On the legal front, Hermès formally asks suppliers for their engagement in complying with its corporate and regulatory responsibilities, through guidebooks on undertakings that are updated on a regular basis (non-disclosure, fair trading and corporate social, environmental and ethical policies). In particular they include the following sections:

◆ **Good practices in relation to social responsibility:**

this section deals with the following subjects: child labour, forced labour, compliance with health and safety rules, respect for freedom of association, non-discrimination, working time, compensation, clandestine workers;

◆ **Good practices in relation to environmental responsibility:**

this section states our expectations in terms of compliance with environmental regulations, natural resource and consumption management, effluents and waste materials, respect for biodiversity;

◆ **Good ethical conduct:**

this section covers subjects that include corruption, money laundering, specific requirements for certain sensitive divisions, and recommendations on good practices in relation to subcontracting.

The Group also asks its partners to check their own suppliers, throughout their supply chain, to ensure that they are fulfilling their obligations. The contract clauses provide for the possibility of verifying that these undertakings are real through an operational audit. The legal framework and standard clauses that the Group asks its suppliers to sign also include an anti-corruption section.

In terms of IT, there is a central platform. This tool makes it possible to share all supplier data throughout the Company. It also hosts legal documents (agreements, commitments, etc.) from partners and providing an overview of generated business volumes.

Alert Mechanism

The close relationships between Hermès and its suppliers are key to identifying suspicious conduct. On-site visits by purchasers and regular first- and second-level assessments are important aspects that make it possible to detect any violations and to alert the Group.

Each métier is responsible for challenges identified and monitoring the 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 is encouraged to report it internally.

System for monitoring major issues

In addition to monitoring métiers and subsidiaries, the audit department provides a summary of major risks to Group management, and monitors major issues, including by way of audits. In 2017 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 1.8.1 Internal control system in response to risks.

In order to fulfil the requirements of Law 2017-399 of 27 March 2017, Hermès Group established a Compliance Committee during the year. It comprises 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. A Chief Compliance Officer was appointed during 2017.

Finally, with the application of the Sapin 2 law, we have increased our monitoring of French suppliers, particularly regarding monitoring of their regulatory compliance with respect to corruption prevention.

2.6.1.2 Operational examples of risk management and mitigation procedures

Leather Goods

The Leather Goods division maintains very close relations with its supplier partners. The teams visit them frequently to initiate and then follow improvement measures possibly concerning the development of new products, or the quality or optimisation of raw materials.

Tanneries

The Tanneries division regularly develops new partnerships and 70% of its subcontractors have been audited over the last four years.

Regular inspections are also carried out on livestock sites. In addition to these inspections, an audit programme was set up for all crocodile skin providers. These verifications primarily concern CITES regulations, good animal welfare practices, environmental management, social conditions of employees, and safe infrastructure and working conditions. These topics are grouped together in a charter of best livestock raising practices established in relation with veterinary experts. All of the breeding sites with which the division maintains commercial relations have signed this charter and have been audited over the past two years. Progress plans that have been established with suppliers are regularly monitored.

As mentioned in the “raw materials” chapter 2.4.1, a specific audit including all these topics, was conducted in 2017 for the ostrich division.

The “Lizard” (*Varanus salvator*) sector in Malaysia was also inspected during the year by expert veterinarians in collaboration with our partner. These inspection conducted by our partner, the purchasing department and scientists are designed to ensure compliance with current regulations, traceability of the supply chain and that good practices are in place in the facilities.

Textiles

The textiles division follows a general purchasing approach to improve traceability of the raw materials used in our products. All processing stages are covered by this approach right from the origin of the material. We also apply a sourcing policy, taking into account the origin and the production conditions of the products (also see chapter on “Raw Materials”).

Tableware

CATE requires its suppliers to sign a guidebook on undertakings with respect to non-disclosure, fair trading and corporate social, environmental and ethical policy. For our French suppliers, it has also implemented obligations pursuant to the 2014 Savary law aimed at combating unfair business competition. In addition, we conduct extensive inspections to ensure that suppliers' and/or customs declarations indicating that the components are “Made in France” are accurate.

At Puiforcat these same undertaking guidebooks are also signed with strategic and/or sensitive suppliers. Annual meetings have been held to share results and strategic elements with our main partners.

Construction

In 2017, the purchasing policy with our construction partners is gradually being rolled out to subsidiaries. With each new relationship, suppliers are asked to make a commitment to complying with local regulations and accepting the fair dealing charters and corporate social and environmental responsibility policies before they begin working with the Hermès Group. A methodology for analysing and managing risks of suppliers in construction has been defined.

Assessment and control

The Hermès Group has put in place an internal control and risk management system to better prevent and control the risks it has to face. As part of this system, the Audit and Risk Management Department conducted purchasing audits in 2017 and these will continue into 2018. 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 1.8.1 Internal control system in response to risks.

2.6.2 CORPORATE RESPONSIBILITY AND USING SOCIALLY SUPPORTED ORGANISATIONS

Through its policy for the disabled, the Group promotes using services provided by the subsidised sector for socially supported organisations in France (EA ¹, ESAT ²) whenever possible. Abroad, there are a number of different initiatives depending on local context. For example, the subsidiary in Hong Kong systematically checks the “social enterprise directory”, a guide to social enterprises, for listed service providers whenever it needs to make local purchases.

Leather Goods

Almost 10 years ago, Hermès Leather Goods-Saddlery embarked on a partnership with EA (Adapted enterprises) and ESAT (organisations that help disabled people back into work).

Since 2008, the division has developed close partnership relations with six structures employing people with disabilities, located close to the production units.

Within these six partner establishments, the Health, Safety and Working Conditions underwent a formal audit. A personal contact person provided these six workshops with technical and quality support on a day-to-day basis, but also over the long term, as part of development projects, such as the layout of future premises or the acquisition of new equipment.

To celebrate the journey undertaken together and the quality of this partnership, a first two-day meeting between Hermès Leather Goods-Saddlery and the EA/ESAT was organised in September 2017 to share experience, expertise and development prospects.

The Leather division aims to build a local network of EA or ESAT for each of its regional centres as they are established and promote networking between partner EA and ESAT. Currently, the division is continuing the listing of new partners in the socially supported organisations and protected sector, particularly for the Paris-Val-de-Seine cluster.

Some production units also call on EA and ESAT for the maintenance of their green spaces, such as *Manufacture de Haute Maroquinerie-MHM* or at *Manufacture de Belley*.

Textiles

The Silk division has structured its disability approach since 2008 around the “Handi’Cap” plan. The partnerships formed since then with the ESATs for the recycling of photoengraving frames, fabric sampling for *Créations Métaphores*, the maintenance of green spaces and cleaning of premises continued in 2017. Furthermore, HTH continued to support the Handysoie partner company, in collaboration with an ESAT, which employs disabled staff to make textile products.

Tanneries

The Tanneries du Puy, Montereau and Vivoin, through their partnerships with sheltered work establishments, have included the participation of persons for the maintenance of green spaces. In addition, two people from the same ESAT are engaged on internal production operations at the Montereau site. The *Tannerie d’Annonay* also works with an ESAT on an occasional basis for commercial brochure packaging and leather sampling assignments. The *Compagnie des Cuirs Précieux* entered into a new partnership in 2017 for catering and meal tray services at seminars and meetings in their head office.

Crystal

Maintenance of green spaces is entrusted to the Association APAEIIIE Ingwiller.

As part of Disability Week, visits were organised to the Cristallerie and the La Ruche ESAT in Sarreguemines at which visitors could discover how the adapted/sheltered sector and the ordinary environment are intertwined.

A partnership was concluded with the branch of this ESAT based in Goetzenbrück, in which two employees from the sheltered sector were seconded to the Cristallerie’s shipping department.

Through internal awareness campaigns and using socially supported organisations, Saint-Louis meets its obligation to employ disabled workers.

Parisian sites

The Paris and Pantin sites use ESAT for different types of operations.

For several years now, the bibs worn in the Leather workshops have been laundered by an ESAT. Some administrative work, and also the manufacture and delivery of meal trays for meetings or seminars are handled in collaborations with various ESAT.

(1) EA: Adapted Enterprises.

(2) ESAT: Establishments and Services which provide Assistance Through work, medico-social establishments whose purpose is the social and professional integration of adults with disabilities

Logistics Site

The Bobigny Logistics site has been collaborating for many years with an adapted enterprise, Les Ateliers d'Aubervilliers. In 2017, the logistics and human resources departments launched a project for four people from adapted enterprise, Les Ateliers d'Aubervilliers, to be employed in the logistics warehouse. This operation was prepared very carefully upstream to ensure good integration and that the project would succeed (visit of workshops and warehouse, regular monitoring reviews, etc.). The Bobigny Logistics site now wishes to extend this type of partnership to other EAs and ultimately aims to permanently integrate certain employees.

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. 1: No Poverty

- ◆ Hermès is committed to the financial equilibrium of business relations with its suppliers. By developing local employment, in particular in France, the Group contributes to the development of its partners. Hermès is also committed to ensuring long-term development and a level of minimum compensation of its partners abroad.

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 2.3.1.2), Hermès 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 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.
- ◆ "Ethics and vigilance with respect to working conditions, including child labour and forced labour".
The group has specific demanding requirements in relation to ethics and social and environmental responsibility. They apply in the context of relations that bind the Group to its suppliers, and regardless of their nature, through undertakings with respect to confidentiality, fair trading and corporate social, environmental and ethical policies. These undertakings cover vigilance exercised with respect to forced labour and child labour.
- ◆ 8.7 "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 and justice, strong institutions

- ◆ 16.5 "reduce corruption and bribery".
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.

2.7 STAKEHOLDERS AND LOCAL INTEGRATION

Harmonious relationships with our stakeholders ensure successful local operations in the long term, contribute to Hermès' reputation and strengthen employees' pride in belonging to the company. Hermès plays a role as a socially responsible company wherever it operates.

Hermès assumes its territorial responsibility and contributes to value creation and the sustainable development of the countries, regions and cities in which it operates, notably by generating sustainable jobs, but also through local economic, social and cultural initiatives, and in other ways that express its uniqueness.

Hermès' founding values are also expressed through the Fondation d'Entreprise Hermès, founded in 2008, which supports sponsorship projects that seek to enhance *savoir-faire*, transmission and biodiversity. It should be mentioned that its budget (compared with revenue) is the largest of the French corporate foundations (source: Carenews study of 18 February 2018).

2.7.1 A ROLE IN HOST COMMUNITIES

All of Hermès' production and distribution sites maintain constant dialogue with local authorities and stakeholders to ensure that they are fully integrated within the host community and that they nurture relationships of trust and good neighbourliness.

Our logic of industrial development, particularly in France, is that of spin-off: an organic development that creates human scale production sites (approx. 250 people), which starts with a core group of experienced workers, who will train new-comers. We have never closed a site, and we establish ourselves for the long-term.

Hermès operates in 11 of the 13 regions of France with close to 80 sites (production units, stores, logistics sites, offices). Through the artisanal development model that it employs in France, it has shouldered its territorial corporate responsibility, which goes beyond the direct creation of jobs.

This year, we created 438 jobs in France, and in addition to this direct impact, our establishments, which are often in rural areas, provide a major local boost for the communities concerned: stimulation of local consumption, property support, impact on collective needs (maintenance of classes in schools, transport support, etc.) and council resources *via* taxation.

Our regional development also promotes the development of schools and local training schemes.

2.7.1.1 Local involvement

Each division and each site grows roots in its host community through local actions designed to forge bonds between the House, its employees and its local stakeholders.

These actions may involve local stakeholders in education, employment, security, economic, associative and cultural development and even creating sports teams to participate in local sporting events.

Leather Goods

All the production units of the Leather Goods division maintain strong links with their respective local communities. For instance:

The recently inaugurated Héricourt production unit continued to develop its relations with local stakeholders, including high schools as part of the "industry week", football club, automobile club, support for job seekers *via* the "Local Mission", involvement in the Belfort recruitment forum, participation in examination panels, etc.

On 3 April 2017, the 130 artisans of the Ganterie de Saint-Junien left the downtown historic building to put everything into their new workshops. Leatherwork revived on the banks of the Vienne, a place rich with history of handicrafts and dressers. A metamorphosis for the building, an old sheep wool washing plant, which is now home to the glove-making industry, whose expertise extends to small leather goods. Moreover, the new site is involved in the upcoming project "Cité du Cuir" (Leather City) and restoration of the banks of the Vienne undertaken by the Communauté de Communes (Community of Communes).

Having moved into their new production unit on 2 January 2017, the 130 employees of the Maroquinerie de Normandie celebrated the birth of their new site on 13 June 2017, under a magnificent Norman sun, joined by members of the Executive Committee, several members of the Hermès family, and official representatives. It all began with Hermès Parfums, 40 years ago, with the choice of this first location outside the Parisian region in 1977. A small leather goods workshop with around twenty employees was then established in June 1996. Year after year, the expertise and workforce evolved to become, on 1 January 2016, a Leather Goods division under the Hermès Leather Goods & Saddlery craftsmanship division.

The Maroquinerie de Belley developed links with the local schools to promote knowledge of traditional and industrial trades and promote these sectors. In addition to donations of leather pieces, schools have been able to organise manual leatherwork activities.

In 2017, La Maroquinerie Nontronnaise supported the organisation of the "Portes du Cuir" fair through the association Réso Cuir. In particular, it has made a contribution by demonstrating its *savoir-faire*, which awakens an interest in trades among young people, and by screening films on the group's artisanal métiers. The Maroquinerie also participated in the "All in Business" week for job-seekers.

Furthermore, the collective “A qualification for all” approach continued to enable artisans to obtain a CAP diploma in leather goods through the Validation of Experience Acquired.

The Maroquinerie de la Tardoire has provided support to the Tardoire Allegro association, which helps promote classical music in rural areas.

Tanneries

The tanneries maintain constant dialogue with the local authorities (departmental fire and rescue departments, local council, DREAL/DRIEE, labour inspection) through periodic drills and visits. Because of their geographical and often long-standing operations in these areas, they play an important role in the local economic fabric. Use of local companies is accordingly favoured for construction and finishing work.

Textiles

The division is one of France’s largest textile garment and accessories manufacturers. Therefore, it plays an active role in professional bodies, particularly through its chairmanship of Intersoie (inter-professional association of players in the silk industry), as well as active support from the professional branch via Unitex and Techtera and various local management assignments. Companies in this sector are located in municipalities of very different sizes, mainly in the Rhône-Alpes region. Regular discussions are held with local authorities or the Community of Communes. The Silk division was particularly involved in the organisation of the Silk Market, which was held in Lyon in November, and on this occasion undertook fabric printing demonstrations that was a huge success with the public.

Tableware

The CATE site is located in the heart of the city of Nontron, where Hermès is a leading employer. Local tradespeople are used wherever possible for regular plumbing, electrical, roofing or mechanical works.

The CATE maintains relations with local associations and organisations. During the course of 2017, together with the Nontron branch of the Restaurants du Cœur (charitable association that distributes food and meals), it organised an awareness-raising project and two food drives. It also organised a Disability Week in partnership with the Dordogne disabled sports committee.

Beyrand also favours the use of local design offices and artisans for the maintenance of its industrial facilities (electrical installations, plumbing, ventilation, extraction, and so on) and renovation of its premises (plaster, painting, flooring, and so on).

Crystal

A project to improve and extend the visit to the Cristallerie was initiated in 2016 in conjunction with the plan to renovate the tank furnace. In 2017, the tour was completed by a new scenographic space built around the old continuous recuperative furnace preserved for the occasion. In addition to its new scenography and this space dedicated to the presentation of contemporary collections, this new tour is now accessible to people with reduced mobility.

Regular exchanges are maintained between Saint-Louis and its local authorities (municipality, labour inspection, CARSAT, DREAL, AGE, SDIS), as part of the projects or periodic visits.

Furthermore, the museum “La Grande Place”, a true showcase of Saint-Louis, and its partners (especially the Centre International d’Art Verrier (International Centre of Glass Art), the Musée du Verre (Glass museum), the Lalique Museum), contribute to local cultural dynamism through various events. Visitors can also benefit from the new layout of the “hot-glass” workshop, where craftspeople can be watched through a large window from the museum.

Access to the “Jardins de Saint-Louis”, a landscaped site dedicated to the purification of industrial effluents from the production unit, has been developed to allow the organisation of guided tours by the museum team.

On the other hand, since 2014, the Fondation d’entreprise Hermès has initiated a temporary exhibitions programme within the museum. Each year, two exhibitions are held on the topic of contemporary creation, seen from the angle of savoir-faire. They are imagined in collaboration with a Lorraine-based cultural institution, and the participation of Saint-Louis.

2.7.1.2 Open days

At the initiative of its sites, Hermès regularly organises meetings between its employees and local communities to showcase their expertise.

Leather Goods

In June, the Héricourt production unit organised two open days for their employees and families, a lovely event which brought together nearly 1,000 people.

The Maroquinerie de Saint-Antoine also opened its doors to the families of its employees bringing together nearly 400 people.

These operations allowed more than 1,400 participants to discover the intricacies of a Maroquinerie and better understand the leather business.

Tanneries

Other than the meetings with the local authorities, site visits are occasionally organised at the initiative of the tanneries. As part of collaborative efforts with universities, schools and professional training bodies, the tanneries can open their facilities to visits by students and people undergoing training, or present their professions in forums. 2017 also saw an open day at the Cuneo tannery, during which the employees were able to show their expertise and the site to their relatives.

Textiles

SIEGL organised an open day in April, which allowed employees’ families to discover the extent of machinery and savoir-faire implemented.

Ateliers AS, historic player in printing scarves for Hermès, celebrated their 80-year anniversary with all employees and their spouses.

More generally, the Silk division opened the door of its workshops to numerous guided tours to promote the wealth of textile savoir-faire, and the requirements of the manufacturing process at all stages.

Perfumes

The Vaudreuil site celebrated its 40-year anniversary in June 2017 with a 70s-themed event attended by 600 guests, thus celebrating the history and development of this production site, reflecting the growth of Hermès Parfums.

Tableware

Beyrand celebrated its 90-year anniversary on the Saint-Just le Martel site close to Limoges in July 2017, attended primarily by Group employees and internal customers (Leather Goods, Accessories, Hermès tableware). Beyrand's employees were proud to be able to share their expertise and commitment in contributing to the revival of the company, which aims to become the world's best litho-artist in its chosen areas of ceramics and enamel.

Hermès Hors les Murs

In 2017, four Hermès Hors les Murs (Beyond the Walls) festivals, organised in Japan, including in Tokyo, Nagoya and Hakata, as well as one in Milan, enabled local participants to discover the company's craftsmanship. Artisans from the House practising 10 métiers demonstrated and shared their experience and their passion for their métiers, which included leather workers, saddlers, silk printers, *roulotteuses* (silk scarf hemming experts), engravers, tie makers, watchmakers, setters, painters on porcelain and glovemakers. Lasting from 6 to 10 days, these events were attended by over 127,000 visitors, who had come to discover the demonstrations by the artisans. These events focused on our artisans and their savoir-faire, as well as exceptional French craftsmanship abroad.

2.7.2 INITIATIVES

Giving time, giving of one's self, opening oneself up to others, receiving: employees now grasp that everyone can play a role in building tomorrow, in their own way, through the simplest of gestures. Many different plans are in place at Hermès in its various locations.

2.7.2.1 Committed employees

France

The House's subsidiaries and sites supplement initiatives taken by the Fondation d'Entreprise Hermès by organising local charitable operations. For several years, Hermès International employees have received seasonal "solidarity baskets" comprising vegetables, artisanal food products and local agricultural produce. Baskets can be used to make a donation to an NGO sponsored during the operation. The partnerships are long term and the representatives of the associations come to present their projects during the distribution of the baskets. These donations are opportunities for associations to support and develop their projects, but it is also an opportunity for employees to monitor their progress.

The Maroquinerie de Normandie has developed a tripartite partnership with Lycée-Greta-Education Nationale to promote the establishment of a pro baccalaureate in leather goods, primarily by donating equipment and supporting the CAP Maroquier course for new employees. In Ile de France, the Val-de-Seine Leather Goods division has opened three dedicated classes in partnership with the CCI, the National Employment and Education Division, also with equipment donation.

The Silk division is involved with many voluntary organisations ensuring active participation of employees in the activities of the supported organisations. Holding Textile Hermès has been supporting Restaurants du Cœur for several years by paying a subsidy and developing exchanges with employees. Collection drives (food and toys) have been organised to support this involvement with community-based groups.

Support actions are also being deployed with the support of the Holding Textile Hermès Heritage Department at the Bourgoin museum and the Musée du Tissage de Bussières (donation of fabric for the "48 Hours of Creation" event, which brought together fashion students and textile houses). In 2017, the Silk division contributed by lending scarves to the *Festival International des Textiles Extraordinaires* (International Festival of Extraordinary Textiles), which was held in Mexico on the theme "Rebel". Finally, a long-term partnership with Maison de la Danse has offered a way to subsidise a number of youth-oriented projects. About 60 people (employees of Holding Textile Hermès and their children) took part in "Intro Danse", a cultural exchange which introduces people to dance.

In 2017, the Cristallerie de Saint-Louis museum joined the "Tôt ou t'Art" association, which promotes artistic and cultural projects for people with social difficulties. The museum participated in the "Awakening of the senses" accessibility programme, allowing blind and visually impaired people to meet during a night hike in the surrounding forests of Saint-Louis, which for a long time had served solely to provide fuel for the production unit's furnaces. On this occasion, the association "Vue d'ensemble" shared various visual disability awareness tools with the sighted.

In 2017, the women's Ready-To-Wear line continued its partnership with the association JLF by taking on interns. JLF offers the unemployed free training in the technical fashion trades.

In 2017, Hermès continued, like it did every year, to donate silk scarves to long-standing partner museums, such as the Musée des Arts Décoratifs in Paris, the Mulhouse Fabric Printing Museum, the Bourgoin Museum, as well as the Lyon Museum of Textiles.

"Le Relais" points for collecting used clothes have been installed on sites in Pantin, Paris and Lyon. They are accessible throughout the year and encourage the reuse of clothing, either through donations to the needy or by recycling their fibres. Regular donations of store-window mannequins are made to NGOs in France.

In France, various initiatives, such as blood donations in partnership with the French blood bank, now form part of the daily life of many French sites.

John Lobb

John Lobb and Co employees based at the Northampton production unit participated in presentations on the shoe industry at Northampton University.

Donations of footwear unsuitable for sale, were made to a partner association in Great Britain. Footwear has also been handed over to several charity events in the United States for raffles or charity dinners.

Distribution network

Certain key highlights of the year are observed by all subsidiaries and stores. As described in section 2.1.5, Sustainable Development Week is locally embraced, with workshops to raise employee awareness about the challenges of sustainable development. This event is an opportunity to raise awareness about the importance of the transfer of savoir-faire, well-being (diet, fitness, sport, etc.), waste management (selective waste sorting) energy (air conditioning, lights, etc.), eco-friendly transport, but also our local role and our significant local links primarily based on our community projects. These moments are also an opportunity to see ideas and initiatives emerge and commitments made over time. Furthermore, at the end of March, "Earth Hour" continues to mobilise stores, and a significant number of Asian stores took part. Organised at the initiative of WWF, this hour involves cutting non-essential lights for a period of one hour to promote electricity conservation and in turn to reduce greenhouse gas emissions and contribute to the fight against global warming.

Foundation

The Fondation d'Entreprise Hermès, through the internal H³ call for projects, allows employees volunteering with an NGO to apply for support by the Foundation. Since 2013, H³ has intensified dialogue between Hermès and civil society by involving the broader community in initiatives taken by its staff worldwide (see section 1.7 "Fondation d'Entreprise Hermès").

2.7.2.2 Charitable operations

In 2017, in addition to existing initiatives, and following the call for commitments given by the Group's senior management, the international distribution subsidiaries strengthened their actions in the area of charitable activities. Partnerships are developed locally in order to maintain consistency and consolidate our contributions in the areas where Hermès operates. The actions carried out during the year primarily concern the following subsidiaries:

- ◆ many material donation projects were carried out in Europe, particularly in England. To this end, furniture, plants, accessories from event campaigns (Twilly, Hermèsmatic, store openings, etc.) as well as office furniture were given to various partners. The Iberian subsidiary participated in charity donations of cashmere shawls, support for disadvantaged children and animal welfare. In Switzerland, employees also participated in a solidarity race;
- ◆ in the USA, the subsidiary and stores continued their initiatives in favour of local communities in 2017. Indeed, donations of uniforms continue to be given to professional reintegration charities. In addition, in order to strengthen its involvement with communities, a team of volunteers went to assist in the preparation and distribution of meals for the homeless in New York. In another example, four stores, Chicago, Short Hills, King of Prussia, and New York, organised food drives for local associations. Furthermore, a group of 15 volunteers gave their time to sick children in hospital, based on manual activities as part of the Sunshine project. Finally, the subsidiary continued to support the local organisation *Lower East Side Girl's Club*, primarily by donating school supplies;
- ◆ in Asia, some partnerships took root over time, especially in Hong Kong and Macau, where the involvement and participation of employees was on a voluntary basis. Thus, with the *Lunch Club* on the one hand, volunteers were able to participate in meal distributions as well as provide pastry-making classes. On the other hand, with the association *Changing Young Lives*, which helps children and young adults, the volunteers organised a day full of activities around the discovery of French culture (discovery of the language through games, songs, making crepes, etc.), which was attended by around twenty children. Other children were able to enjoy a guided museum tour. In addition, the subsidiary welcomed two interns from this association in the Human Resources and Logistics department for a 3-month period. In India, following up on 2016, the subsidiary Hermès has partnered with Nature Environment & Wildlife Society (NEWS), a non-profit, non-governmental organisation working to support and offer options for alternative and sustainable livelihoods for members of the marginalised communities of the Sundarbans in West Bengal. The Sundarbans constitute one of the most threatened ecosystems in India. This region is exposed to major climatic hazards such as cyclones, rising water levels, soil erosion and untimely and irregular rainfall.

In Japan, employees (more than 200, including children) were made aware about protecting the coral reefs at Okinawa. Some were able to participate in coral observation and cleaning operations. Other employees were able to help and support a biomass energy deployment project for the city of Kesennuma. In Korea, for the first time, a team of volunteers helped clean up the Ho-Myung Mountain by climbing during the day.

“Carrés Solidaires” operations continue. In 2017, six new silk scarves were produced and sold in support of local organisations. Subsidiaries in the United States, Canada, Hong Kong, Great Britain and China participated. These silk scarves, which were especially printed, were sold in support of local associations and contributed to the development of their projects.

The House’s subsidiaries and sites supplement the initiatives taken by the Fondation d’Entreprise Hermès by organising charitable operations.

2.7.2.3 Skills sponsorship

Hermès wants to develop employee commitment to social and solidarity economy, particularly by promoting local integration.

In 2017, a “skills sponsorship” Group methodology was developed and shared within French subsidiaries to promote experiments.

Through this initiative, a non-profit partner benefits from a skills sponsorship operation based on different human resources topics. Hermès wants to develop its opening and citizen’s role through other upcoming operations.

2.7.3 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 aims 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 fund is 24 years, and the projects run for between 10 and 20 years. On 31 December 2017, the investors together pledged to invest a total of approximately €38 million in the Livelihoods fund.

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 the features

of which is to cover a very large scale and extend over periods ranging from 10 to 20 years, include:

- ♦ restoration and preservation of natural **ecosystems** such as **man-groves**. Nearly 8,000 hectares have been replanted in Casamance (“Océanium” project); 4,500 hectares in the delta of the Ganges (“News” project); and 5,000 hectares in Indonesia (“Yagasu” project). These projects secure populations (protection against cyclones or the invasion of salt water) and provide food resources for ecosystem regeneration;
- ♦ **agroforestry** and soil remediation through sustainable agricultural practices. With the support of the Naandi Foundation, tribal Adivasi communities in the Araku valley have planted six million trees (fruit, firewood, construction, etc.), including three million coffee trees on agroforestry models. In Guatemala, 4,000 hectares of trees and food plants are to be planted in the Cerro San Gil mountain area (“Fundaeo” project), allowing farming families to increase their food security and incomes while protecting biodiversity. In Kenya (VI “Agroforestry” project), 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 female employment;
- ♦ **access to rural energy** to reduce deforestation. In Kenya, the “Hifadhi” project equipped 60,000 households with improved cook stoves that significantly reduce wood consumption, thereby reducing pressure on forests, firewood collecting time for families, and exposure to the toxic fumes generated by old stoves. In Burkina Faso, with the support of the Tiipaalga NGO, 30,000 improved stoves have been installed by inhabitants in their villages, in an effort to secure their use over time in a Sahelian zone. With financial support of the AFD, an agroforestry component has been added to this project. In Peru, the ITYF project (taken from the name of the *Instituto Trabajo y Familia* NGO) has installed 30,000 improved cook 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 2017, the above nine 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 cook 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.

In December 2017, during an event bringing together more than 800 people at Hermès in the Jean Louis Dumas area (Pantin), shareholders, NGO partners and friends of Livelihoods celebrated the 6th anniversary of the Livelihoods fund, welcoming the quality of the model and results for the beneficiary communities. The investment model developed by Livelihoods has shown that it is possible to succeed in large-scale projects that link large corporations committed to climate change actions and communities facing the consequences of this change.

The results obtained prompted Livelihoods' shareholders to announce at this event the launch of a second carbon fund, operating on principles similar to the first fund, with an investment target of €100 million to improve the life of more 2 million people and avoid or capture more than 25 million tons of CO₂ equivalent over the next 20 years. Hermès announced its participation in this second fund, which is an ambitious long-term project linked to its artisanal roots.

2.7.4 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 distribution subsidiaries, as part of a 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 an 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 to the training of artisans.

No. 8: Decent work and economic growth

- ◆ 8.1 "Sustain economic growth".

Our business development, and that of the new facilities helps to create local value. Over the last six years, the Group has opened six new production sites and created 2,000 jobs.

- ◆ 8.3 "Development of employment and local purchasing".

The work carried out in partnership with French employment centres made it possible to hire people, especially at the leather goods workshops, who did not have experience as artisans. Today, 90% of artisans that join the House have not received related training. Simulation exercises during the recruitment process gives everyone a chance. The property management division purchases materials locally as soon as possible for all new buildings.

No. 12: Responsible consumption and production

- ◆ 12.8a "More sustainable consumption patterns".

Hermès's objects are designed to last, and are handed down from generation to generation: they can be repaired.

The Hermès Post-sales department repaired approximately 140,000 products in its local and central repair workshops in 2017. Post-sales services covers all métiers of the House (including exceptional, unit 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 and justice, strong institutions

- ◆ 16.5 "Reduce corruption and bribery".

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.

No. 17: Partnerships for the goals

- ◆ 17.1 "Contribute to the development of certain countries, in particular through the payment of tax".

The Group does not have a significant presence in developing countries. Distribution subsidiaries abroad comply with taxes and specific local charges associated with development. This is the case with India, for example, which contributes 2% of its profits to the "News" association (chapter 2.7.2.2). The Group's global tax rate is 35.4%

2.8 REPORT BY ONE OF THE STATUTORY AUDITORS, APPOINTED AS AN INDEPENDENT THIRD PARTY, ON THE CONSOLIDATED HUMAN RESOURCES, ENVIRONMENTAL AND SOCIAL INFORMATION INCLUDED IN THE MANAGEMENT REPORT

2

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 should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

For the year ended 31 December 2017

To the Shareholders,

In our capacity as Statutory Auditor of Hermès International (the "Company"), appointed as independent third party and certified by COFRAC under number 3-1060 (whose scope is available at www.cofrac.fr), we hereby report to you our report on the consolidated human resources, environmental and social information for the year ended 31 December 2017, included in the management report (hereinafter named "CSR Information"), pursuant to article L.225-102-1 of the French Commercial Code (Code de commerce).

COMPANY'S RESPONSIBILITY

The Management is responsible for preparing a company's management report including the CSR Information required by article R.225-105-1 of the French Commercial Code in accordance with the procedures used by the Company (hereinafter the "Guidelines"), a summary of which appears in the "Methodological Note" of the annual report and is available on request from the company's head office.

INDEPENDENCE AND QUALITY CONTROL

Our independence is defined by regulatory texts, the French Code of ethics (*Code de déontologie*) of our profession and the requirements of article L.822-11-3 of the French Commercial Code. In addition, we have implemented a system of quality control including documented policies and procedures regarding compliance with the ethical requirements and applicable legal and regulatory requirements.

STATUTORY AUDITOR'S RESPONSIBILITY

On the basis of our work, our responsibility is to:

- ♦ attest that the required CSR Information is included in the management report or, in the event of non-disclosure of a part or all of the CSR Information, that an explanation is provided in accordance with the third paragraph of article R.225-105 of the French Commercial Code (Attestation regarding the completeness of CSR Information);
- ♦ express a limited assurance conclusion that the CSR Information taken as a whole is, in all material respects, fairly presented in accordance with the Guidelines (Conclusion on the fairness of CSR Information).

However, it is not for us to express an opinion on the compliance with the other legal provisions applicable, in particular those set out by the article L. 225-102-4 of the commercial code (plan of vigilance) and by the law n° 2016-1691 of 9 December 2016 known as Sapin II (fight against corruption).

Our work involved 7 persons and was conducted between December 2017 and March 2018 during a 15 week period. We were assisted in our work by our CSR experts.

We performed our work in accordance with the order dated 13 May 2013 defining the conditions under which the independent third party performs its engagement and with the professional guidance issued by the French Institute of statutory auditors (Compagnie nationale des commissaires aux comptes) relating to this engagement, and also ISAE 3000 in relation to our conclusion on the fairness of CSR Information (Assurance engagements other than audits or reviews of historical financial information).

1. ATTESTATION REGARDING THE COMPLETENESS OF CSR INFORMATION

Nature and scope of our work

On the basis of interviews with the individuals in charge of the relevant departments, we obtained an understanding of the Company's sustainability strategy regarding human resources and environmental impacts of its activities and its social commitments and, where applicable, any actions or programmes arising from them.

We compared the CSR Information presented in the management report with the list provided in article R.225-105-1 of the French Commercial Code.

For any consolidated information that is not disclosed, we verified that explanations were provided in accordance with article R.225-105, paragraph 3 of the French Commercial Code.

We verified that the CSR Information covers the scope of consolidation, i.e., the Company, its subsidiaries as defined by article L.233-1 and the controlled entities as defined by article L.233-3 of the French Commercial Code within the limitations set out in the methodological note, presented in the "Table de correspondance (article 225-105)" section of the management report.

Conclusion

Based on the work performed and given the limitations mentioned above, we attest that the required CSR Information has been disclosed in the management report.

2. CONCLUSION ON THE FAIRNESS OF CSR INFORMATION

Nature and scope of our work

We conducted around 10 interviews with the persons responsible for preparing the CSR Information in the departments in charge of collecting the information and, where appropriate, responsible for internal control and risk management procedures, in order to:

- ◆ assess the suitability of the Guidelines in terms of their relevance, completeness, reliability, neutrality and understandability, and taking into account industry best practices where appropriate;
- ◆ verify the implementation of data-collection, compilation, processing and control process to reach completeness and consistency of the CSR Information and obtain an understanding of the internal control and risk management procedures used to prepare the CSR Information.

We determined the nature and scope of our tests and procedures based on the nature and importance of the CSR Information with respect to the characteristics of the Company, the human resources and environmental challenges of its activities, its sustainability strategy and industry best practices.

Regarding the CSR Information that we considered to be the most important and whose list is given in annex:

- ◆ at parent entity and division or sites level, we referred to documentary sources and conducted interviews to corroborate the qualitative information (organisation, policies, actions), performed analytical procedures on the quantitative information and verified, using sampling techniques, the data calculations and consolidation. We also verified that the information was consistent and in line with the other information in the management report;
- ◆ at the level of a representative sample of entities:
 - environmental information: Industrial Department: "ATBC Bussières" (Silk and Textile, France), "Logistique Bobigny" (Logistics, France), "Pierre Bénite" (Leather, France), "SIEGL" (Silk and Textile, France), "Tannerie d'Annonay" (Tannery, France), Real Estate Department: Beverly Hills (US), CD-DC (China), East Coast Corporate Office (US), Geneva Store (Switzerland), Hawaii (US), Logistics East Coast (US), Madrid - Ortega y Gasset (Spain), "Marseille" "Grignan" Street (France), NB-HY (China), New York Madison 691 (US), "Paris" "Sèvres" Street (France), SH - 66 (China), WH-IP (China), Zurich Store (Switzerland);
 - Social information: Hermès Asia Pacific (Hong Kong et Taiwan), "Hermès Distribution France" ("Hermès Sellier" Division, France), Hermès UK (UK), "Hermès Horloger" workshops (Switzerland), "Saint Antoine" Leatherwork (France), "La montre Hermès" (Switzerland) and "Hermès Parfum" (France).

selected by us on the basis of their activity, their contribution to the consolidated indicators, their location and a risk analysis, we conducted interviews to verify that procedures are properly applied, and we performed detailed tests, using sampling techniques, in order to verify the calculations and reconcile the data with the supporting documents.

This work represents 32% of headcount considered as typical size of the social component, and between 21% and 30% of environmental data considered as characteristic variables of the environmental component.

For the remaining consolidated CSR Information, we assessed its consistency based on our understanding of the company.

We also assessed the relevance of explanations provided for any information that was not disclosed, either in whole or in part.

We believe that the sampling methods and sample sizes we have used, based on our professional judgement, are 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. Due to the use of sampling techniques and other limitations inherent to information and internal control systems, the risk of not detecting a material misstatement in the CSR information cannot be totally eliminated.

Conclusion

Based on the work performed, no material misstatement has come to our attention that causes us to believe that the CSR Information, taken as a whole, is not presented fairly in accordance with the Guidelines.

Neuilly-sur-Seine, 26 March 2018

One of the Statutory Auditors
PricewaterhouseCoopers Audit

Olivier Auberty
Partner

Sylvain Lambert
Partner "Sustainable Development" Department

Appendix: CSR Information that we considered to be the most important

Human resources

- ◆ Total workforce and split by gender, age and geographical area;
- ◆ Hires and dismissals, including job creations and number of dismissals;
- ◆ Health and Safety conditions;
- ◆ Work accidents, notably their frequency and seriousness and occupational diseases, including lost time work accident frequency and severity rates;
- ◆ Training policy;
- ◆ Total number of training hours, including number of training hours in France and abroad.

Environmental information

- ◆ Organization of the company to take into account the environmental issues, including environmental policy;
- ◆ Measure of prevention, recycling, reuse, other types of recovery and elimination of waste;
- ◆ Water consumption and water supply according to the local constraints, including water consumption on industrial sites;
- ◆ Energy consumption, measures taken to improve the energy efficiency and use of renewable energy, including consumption by energy type;
- ◆ Significant greenhouse gases emissions contribution generated due to the company activity, including the use of goods and services it produces;
- ◆ Measures taken to protect biodiversity.

Social information

- ◆ Territorial, economic and social impact in respect of employment and regional development;
- ◆ Inclusion of the social and environmental issues in the purchasing policy;
- ◆ Importance of the subcontracting and the consideration of social and environmental responsibility in relationships with suppliers and subcontractors.

3

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3.1 SUPERVISORY BOARD'S REPORT ON CORPORATE GOVERNANCE

This report was drawn up in accordance with Article L. 226-10 of the French Commercial Code and the recommendations issued by the Financial Markets Authority (AMF).

It was jointly prepared by the Chairman of the Supervisory Board, the Compensation, Appointments and Governance (CAG) Committee, the Audit Committee, the Board Secretary and the functional departments concerned. It was approved by the Board at its meeting of 20 March 2018.

3.1.1 CORPORATE GOVERNANCE CODE

With each revision of the AFEP-MEDEF Code, the CAG Committee performs an exhaustive comparative analysis of the Company's application of the code's recommendations, and reports to the Supervisory Board.

3.1.1.1 Corporate governance principles applied

The Supervisory Board officially adopted the latest version of 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, revised in November 2016, and the recommendations from the HCGE (Corporate Governance High Committee), that further elaborate this code's recommendations.

3.1.1.2 Provisions of the November 2016 AFEP-MEDEF Corporate Governance Code not applied by virtue of the Company's legal form or other reasons

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.

Provisions of the AFEP-MEDEF Code not applied due to the Company's legal form

Explanations

Board meetings and committee meetings (Art. 10.3)
It is recommended that a meeting not attended by the executive Officers be organized each year.

In view of the role of the Supervisory Board (described on page 129), this provision does not apply to a société en commandite par actions (SCA – a partnership limited by shares).

Succession plan for Executive Corporate Officers (Art. 16.2.2.)

The nominations committee (or an ad hoc committee) should design a plan for replacement of company Officers. This is one of the committee's most important tasks even though it can be, if necessary, entrusted to an ad hoc committee by the Board. The Chairman may take part or be involved in the committee's work during the conduct of this task.

The CAG Committee (see description starting on page 150) is not in charge of establishing the succession plan for the Executive Chairmen which task does not fall within the remit of the Supervisory Board in an SCA.
In accordance with its rules of procedure, the CAG Committee has since 2016 had to ensure the existence of a succession plan for the Executive Chairmen which it first did in 2017 with annual reviews thereafter (see page 149). In 2018, the CAG Committee ensured there was a succession plan for the Chairman of the Supervisory Board and added this duty to its rules of procedure.

Composition of the Compensation Committee (Art. 17.1)

It is recommended that the Chairman of the committee be independent and that one of its members be an employee director.

The CAG Committee (see description starting on page 150) is not in charge of setting the compensation paid to the Executive Chairmen which task in an SCA does not fall within the remit of the Supervisory Board. The Supervisory Board therefore decided that it was not relevant for an employee representative to be a member.

Provisions of the AFEP-MEDEF Code not applied for other reasons

Explanations

Proportion of independent members on the Supervisory Board (Art. 8.3)

Independent directors should account for at least a third of Board members.

On 19 January 2019 Robert Peugeot will reach 12 years as member of the Supervisory Board.
The Supervisory Board, in agreement with the Active Partner, decided to ask the General Meeting of 5 June 2018 to extend his term by one year to best facilitate his replacement with a new independent member at the 2019 General Meeting. The Supervisory Board deemed it better to have a slightly lower proportion of independent members on the Board (25%) and Audit Committee (40%) than required by the AFEP-MEDEF Code for a few months rather than not apply an independence criterion with regard to Robert Peugeot.

Provisions of the AFEP-MEDEF Code not applied for other reasons	Explanations
<p>Proportion of independent members on the Audit Committee (Art. 15.1)</p> <p>The proportion of independent directors on the audit committee should be at least equal to two-thirds, and the committee should not include any executive Officer.</p>	<p>The Supervisory Board determined that slightly less than two-thirds of the Audit Committee members are independent (60%, i.e. three out of five members). This situation was not detrimental to the Audit Committee's operation. In the Audit Committee rules of procedure, which were adopted on 24 March 2010, the Supervisory Board stipulates that at least one-half of the seats on the Audit Committee 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 Committee to two-thirds but the Board will review the matter at each annual assessment. As indicated above, the proportion of independent members of the Audit Committee will temporarily fall from 60% to 40% in early 2019.</p>
<p>Severance payment (Art. 24.5.1)</p> <p>The performance requirements set out by the Board for these benefits must be assessed 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 imposed, regardless of the form of this departure.</p>	<p>The Company has agreed to make a severance payment to Axel Dumas under the conditions described in the explanatory statement on page 330. Given the importance of the Active Partner's role in an SCA including the power to appoint and dismiss any Executive Chairman and the fact that it is represented by a legal entity, it was decided that any termination of 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 commitment made for the benefit of Axel Dumas complied with the requirements of the AFEP-MEDEF Corporate Governance Code.</p>
<p>Consultation of shareholders on the compensation of the Chairman of the Supervisory Board (Art. 26.2)</p>	<p>It did not seem relevant for Executive Management to ask shareholders to vote on the compensation of the Chairman of the Supervisory Board insofar as he:</p> <ul style="list-style-type: none"> ◆ receives fixed compensation of €140,000 as set out in the Supervisory Board's rules of procedure, deducted from the total amount of directors' fees approved by the General Meeting; ◆ receives no other compensation of any kind whatsoever. <p>Shareholders have previously been made aware of this information.</p>

Corporate Governance Award

Hermès International continued its long run of good form in the AGEFI Corporate Governance Grand Prix by winning first prize in the "Governance Dynamics" category in 2017.

The purpose of these awards is to:

- ◆ recognize issuers, Boards of Directors and Supervisory Boards, and management bodies that satisfy investors' real expectations;
- ◆ highlight corporate governance initiatives taken in order to consolidate investor confidence which is critical to the smooth functioning of the capital markets;
- ◆ foster the implementation of corporate governance rules and practices.

Prizes are awarded on the basis of the results of a one-round perception survey of financial professionals including governance specialists, institutional investors and analysts.

The jury rewarded Hermès International for ensuring its continual growth by means of a multifaceted governance strategy, above all:

- ◆ a strong commitment in respect of the management succession plan, anchored in the Group's values;
- ◆ a specific training and evaluation programme for the members of its Supervisory Board;
- ◆ innovative tools such as the "Herboard" digital collaborative platform that allows all Board meetings to be held securely.

The jury also commended the dedicated sustainable development strategic framework set up to transmit the Group's know-how via numerous internal schools and its relations with suppliers and partners sharing a concern for protecting the environment.

3.1.2 ADMINISTRATIVE AND MANAGEMENT BODIES

3.1.2.1 Changes in 2017

No changes took place in the Executive Management or the Executive Committee in 2017.

3.1.2.2 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 responsibility 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 the moving of staff (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. A summary of and the action plans stemming from the 2016 Talent Review were presented in 2017 to the CAG Committee.

In addition, a succession plan has been drawn up for Executive Management. It was submitted in 2016 to the CAG Committee, which commended its quality and its appropriateness. In 2017, the CAG Committee carried out an annual review of this plan and noted that no changes had been made to it.

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.

The CAG Committee has requested that the Talent Review be presented to it every two years and that the Executive Management Succession Plan be presented to it annually.

3.1.2.3 The Group's management (role and composition, list of offices and functions performed)

The Active Partner and its Executive Management Board

Role	Composition as at 31/12/2017	
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.	◆ Émile Hermès SARL	Active partner
	represented by its Executive Management Board:	
	◆ Henri-Louis Bauer	Executive Chairman, Chairman and Member of the Executive Management Board
	◆ Philippe Dumas	Vice-Chairman and member of the Executive Management Board
	◆ Pascale Mussard	Vice-Chairwoman and member of the Executive Management Board
	◆ Sandrine Brekke ◆ Frédéric Dumas ◆ Édouard Guerrand ◆ Agnès Harth ◆ Laurent E. Momméja ◆ Jean-Baptiste Puech ◆ Guillaume de Seynes	Other members of the Executive Management Board

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: 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 31/12/2017

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, either Active Partners or from outside the Company, each having the same powers and duties. The term of office of the Executive Chairmen is open-ended.

- | | |
|--|--------------------|
| ◆ Axel Dumas | Executive Chairman |
| appointed by the Active Partner on 4 June 2013 (effective 5 June 2013). | |
| ◆ The company Émile Hermès SARL | Executive Chairman |
| (represented by Henri-Louis Bauer) appointed by the Active Partner on 14 February 2006 (effective 1 April 2006). | |

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 Hermès International shares pursuant to Article 22 of the AFEP-MEDEF Code revised in November 2016.

Both Executive Chairmen comply with this obligation.

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 31/12/2017

- | | |
|------------------------------|---|
| ◆ Axel Dumas | Executive Chairman |
| ◆ Florian Craen | Executive Vice-President Sales & Distribution |
| ◆ Charlotte David | Executive Vice-President Communication |
| ◆ Pierre-Alexis Dumas | Artistic Executive Vice-President |
| ◆ Olivier Fournier | Executive Vice-President of Governance and Organisational Development |
| ◆ Wilfried Guerrand | Executive Vice-President of Digital Projects and E-commerce |
| ◆ Éric du Halgouët | Executive Vice-President Finance |
| ◆ Guillaume de Seynes | Executive Vice-President Manufacturing division & Equity Investments |

Information on the Executive Chairmen and sitting members of the Executive Committee

Executive Chairmen

AXEL DUMAS

Executive Chairman of Hermès International

Direct descendant of Émile-Maurice Hermès.

Date first appointed: 5 June 2013

Term of current office: Unspecified

Address: c/o Hermès International, 24, rue du Faubourg-Saint-Honoré, 75008 Paris

Born on: 3 July 1970

Nationality: French

Shares held: 10,398 wholly-owned registered shares at 31 December 2017

Expertise and professional experience

Axel Dumas is a graduate of the Institut d'Etudes 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.

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 as Executive Vice-President of Operations and a member of the Executive Committee on 2 May 2011 before being appointed as Executive Chairman of Hermès International at 5 June 2013 for an open-ended term.

Co-Offices and positions held during 2017

- ◆ **Hermès International** ▲● (France)
Co-Executive Manager
- ◆ **Ateliers A.S.** ▲* (France)
Permanent Representative of Hermès International, Director
- ◆ **Axam 2** (France)
Executive Chairman
- ◆ **Boissy Mexico** ▲ (Mexico)
Acting Director
- ◆ **Compagnie Hermès de Participations** ▲ (France)
Permanent Representative of Hermès International, Chairman
- ◆ **CHP3** ▲ (France)
Chairman
- ◆ **Comptoir Nouveau de la Parfumerie** ▲* (France)
Permanent Representative of Hermès International, Director
- ◆ **Faubourg Middle East** ▲ (United Arab Emirates)
Director
- ◆ **Herlee** ▲ (Hong Kong)
Chairman and Director (until 30/06/2017)
- ◆ **Hermès Asia-Pacific** ▲ (Hong Kong)
Director
- ◆ **Hermès Canada** ▲ (Canada)
Chairman and Director
- ◆ **Hermès China** ▲ (China)
Chairman and Director
- ◆ **Hermès China Trading** ▲ (China)
Chairman and Director
- ◆ **Hermès de Paris (Mexico)** ▲ (Mexico)
Acting Director
- ◆ **Hermès do Brasil** ▲ (Brazil)
Member of the Advisory Board (until 25/09/2017)
- ◆ **Hermès Grèce** ▲ (Greece)
Director
- ◆ **Hermès Ibérica** ▲ (Spain)
Director
- ◆ **Hermès India Retail and Distributors** ▲ (India)
Director
- ◆ **Hermès Japon** ▲ (Japan)
Director
- ◆ **Hermès Korea** ▲ (South Korea)
Chairman and Director
- ◆ **Hermès Monte-Carlo** ▲
(Principality of Monaco)
Permanent Representative of Hermès International, Vice-Chairman, Permanent Representative of Hermès International, Director
- ◆ **Hermès of Paris** ▲ (USA)
Chairman and Director
- ◆ **Hermès Retail (Malaysia)** ▲ (Malaysia)
Chairman and Director
- ◆ **Hermès Sellier** ▲ (France)
Chairman, Executive Vice-President of the following Hermès divisions: Leather Goods & Saddlery, Commercial, Silk & Textiles, Travel Retail, Jewellery, Men, Services Group and Distribution France
- ◆ **La Montre Hermès** ▲ (Switzerland)
Director
- ◆ **Maia** (France)
Executive Chairman
- ◆ **Mathel** (France)
Executive Chairman
- ◆ **H51** (France)
Director

▲ 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 before¹ January 2016

- ◆ **Castille Investissement ▲ (France)**
Permanent Representative of Hermès International,
Chairman (until 28/06/2016)
- ◆ **Isamyol 28 ▲ (France)**
Permanent Representative of Hermès International,
Chairman (until 29/06/2016)
- ◆ **Isamyol 30 ▲ (France)**
Permanent Representative of Hermès International,
Chairman (until 29/06/2016)
- ◆ **Isamyol 31 ▲ (France)**
Permanent Representative of Hermès International,
Chairman (until 29/06/2016)
- ◆ **Isamyol 32 ▲ (France)**
Permanent Representative of Hermès International,
Chairman (until 29/06/2016)
- ◆ **Isamyol 33 ▲ (France)**
Permanent Representative of Hermès International,
Chairman (until 29/06/2016)
- ◆ **Hermès Horizons ▲ (France)**
Chairman (until 31/05/2016)
- ◆ **Hermès Immobilier Genève ▲ (Switzerland)**
Director (until 10/05/2016)
- ◆ **Grafton Immobilier ▲ (France)**
Chairman (until 29/06/2015)
- ◆ **Hermès Australia ▲ (Australia)**
Chairman of the Board of Directors and Director
(until 05/02/2015)
- ◆ **Hermès Benelux Nordics ▲ (Belgium)**
Director (until 15/04/2015)
- ◆ **Hermès GB ▲ (United Kingdom)**
Chairman and Director (until 15/04/2015)
- ◆ **Hermès Italie ▲ (France)**
Chairman of the Board of Directors and Director
(until 20/03/2015)
- ◆ **Hermès Monte-Carlo ▲ (Principality of Monaco)**
Permanent Representative of Hermès Sellier,
Director (until 28/04/2015)
- ◆ **Immobilière du 5 rue de Furstemberg ▲ (France)**
Permanent Representative of Hermès International,
Chairman (until 29/06/2015)
- ◆ **Isamyol 25 (now Immobilière de la maroquinerie
de Montbéliard) ▲ (France)**
Permanent Representative of Hermès International,
Chairman (until 20/10/2014)
- ◆ **Maroquinerie de Normandie (formerly Isamyol
27) ▲ (France)**
Permanent Representative of Hermès International,
Chairman (until 07/09/2015)
- ◆ **Motsch-George V ▲ (France)**
Permanent Representative of Hermès International,
Chairman (until 29/06/2015)
- ◆ **SCI Boissy Les Mûriers ▲ (France)**
Permanent Representative of Hermès International,
Executive Chairman (until 31/12/2015)
- ◆ **SCI Boissy Nontron ▲ (France)**
Permanent Representative of Hermès International,
Executive Chairman (until 21/12/2015)
- ◆ **SCI Édouard VII ▲ (France)**
Permanent Representative of Hermès International,
Executive Chairman (until 21/12/2015)
- ◆ **SCI Honossy ▲ (France)**
Permanent Representative of Hermès International,
Executive Chairman (until 21/12/2015)
- ◆ **SCI Les Capucines ▲ (France)**
Permanent Representative of Hermès International,
Co-Executive Chairman (until 21/12/2015)
- ◆ **SCI Auger-Hoche ▲ (France)**
Permanent Representative of Hermès International,
Executive Chairman (until 21/12/2015)
- ◆ **Tannerie de Vivoin (formerly Isamyol 29) ▲
(France)**
Permanent Representative of Hermès International,
Chairman (until 30/06/2015)
- ◆ **Hermès Latin América ▲ (USA)**
Director (until 21/05/2015)
- ◆ **Créations Métaphores ▲ (France)**
Permanent Representative of Hermès International,
member of the Management Board (until
23/06/2015)
- ◆ **Hermès of Hawaii ▲ (USA)**
Chairman and Director (until 24/03/2014)
- ◆ **CHP2 ▲ (France)**
Permanent Representative of Hermès International,
Chairman (until 27/06/2014)

▲ Hermès Group entity ● Listed company * Office taken into account when calculating multiple offices

ÉMILE HERMÈS SARL

represented by its Executive Chairman,
Henri-Louis Bauer

**Active Partner and Executive
Chairman of Hermès International**

Date first appointed: 1 April 2006

Term of current office: Unspecified

Address: c/o Hermès International,
**24, rue du Faubourg-Saint-Honoré,
75008 Paris**

Shares held: 33,236 wholly-
owned registered shares at
31 December 2017

Expertise and professional experience

Émile Hermès SARL

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 Henri-Louis Bauer (appointed Executive Chairman on 1 July 2012), himself a direct descendant of Émile-Maurice Hermès. Émile Hermès SARL's main purpose is to be the Active Partner of Hermès International. Its workings are described on pages 292 et seq.

Émile Hermès SARL has been the Active Partner of Hermès International since 27 December 1990. Émile Hermès SARL was appointed an Executive Chairman on that date and held that office until 31 December 1994. On 1 April 2006, it was reappointed as 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.

Offices and positions held during 2017

- ◆ **Hermès International** ▲● (France)
Active Partner and Executive Co-Chairman

Other offices and positions held during the previous four financial years and ending before 1 January 2017

- ◆ None

Henri-Louis Bauer

Direct descendant of Émile-Maurice Hermès

Offices and positions held during 2017

- | | |
|---|---|
| ◆ Émile Hermès SARL (France)
Executive Chairman and Chairman of the Executive
Management Board | ◆ H51 (France)
Director |
| ◆ Aucleris 2 (France)
Executive Chairman | ◆ Sabarots (France)
Executive Chairman |
| ◆ Fondation d'entreprise Hermès (France)
Director | ◆ Samain B2 (France)
Executive Chairman |
| ◆ H2 (France)
Director | |

Other offices and positions held during the previous four financial years and ending before 1 January 2017

- ◆ **Aucleris** (France)
Executive Chairman (until 27/12/2015)

▲ Hermès Group entity ● Listed company * Office taken into account when calculating multiple offices

Active partner

Émile Hermès SARL

(Refer to the paragraph above)

Executive Committee

Name Personal details: Age in 2018 Date of birth Nationality	Date appointed to the Executive Committee	Training	Positions held in the Hermès Group (date appointed)	Other positions
♦ Axel Dumas 48 years 03/07/1970 French	02/05/2011	See page 121		
♦ Florian Craen 48 years 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) Director Hermès International Travel Retail (2001)	
♦ Charlotte David 43 years 28/03/1975 French	12/10/2015	ESSEC (1997)	Executive Vice-President Communication (since 12 October 2015)	
♦ Pierre-Alexis Dumas 52 years 04/06/1966 French	01/10/2005	Graduate in visual arts from Brown University (1991)	Artistic Executive Vice-President (since 1 October 2005)	Chairman of the Fondation d'entreprise d'Hermès (from 2008 to 2016) Chairman of Arts Décoratifs (since 1 January 2016)
♦ Olivier Fournier 56 years 10/07/1961 French	01/06/2015	EM Lyon (1983) Graduate degree in accounting and finance	Executive Vice-President of Governance and Organisational Development, Hermès International (2015) Executive Vice-President of Hermès Sellier craftsmanship division (2008) Executive Vice-President Holding Textile Hermès (2001) Executive Vice-President of Bucol (1998) Executive Vice-President of Sport Soie (1994) Executive Vice-President of Internal Audit and Taxation of Hermès International (1991)	Chairman of the Fondation d'entreprise d'Hermès (since 8 February 2016)

Name <i>Personal details:</i> Age in 2018 Date of birth Nationality	Date appointed to the Executive Committee	Training	Positions held in the Hermès Group (date appointed)	Other positions
<p>♦ Wilfried Guerrand 47 years 01/02/1971 French</p>	01/07/2014	<p>Neoma Business School (1993, Rouen)</p> <p>MBA from London School of Economics, NYU Stern and HEC (2011, TRIUM)</p>	<p>Executive Vice-President Digital Projects and e-Commerce Hermès International (since 1 July 2014)</p> <p>Executive Vice-President Hermès Women (since 2 April 2012)</p> <p>Executive Vice-President Europe Hermès International (2009)</p> <p>Group Director of Sales Hermès International (2007)</p> <p>Executive Vice-President Hermès France for Hermès Sellier (2004)</p> <p>Director of Industrial Development Hermès International (2002)</p> <p>Advisor to the Executive Vice-President Hermès Sellier (1999)</p> <p>Financial Controller for Hermès Sellier (1995)</p>	
<p>♦ Éric du Halgouët 55 years 14/03/1963 French</p>	01/06/2015	<p>Neoma Business School (1986, Rouen)</p> <p>Graduate degree in accounting and finance</p>	<p>Executive Vice-President Finance of Hermès International (2015)</p> <p>Group Financial Director (2007)</p> <p>Director of consolidation and financial control (2006)</p>	
<p>♦ Guillaume de Seynes 61 years 14/10/1957 French</p>	01/01/2005	<p>Graduate in law and political science Paris (1978) and an ESSEC graduate (1982)</p>	<p>Executive Vice-President Hermès International, Manufacturing & Equity Investments (since 2 May 2011)</p> <p>Director of John Lobb (2007)</p> <p>Deputy Managing Director Hermès International (2006)</p> <p>Executive Vice-President Hermès Sellier business lines (2004)</p> <p>Executive Vice-President of La Montre Hermès (1999)</p> <p>Director of Sales and Marketing of La Montre Hermès (1997)</p>	<p>Chairman of Comité Colbert (since 10 June 2016)</p> <p>Chairman of the European Cultural and Creative Industries Alliance (2016-2017)</p> <p>Chairman of the Chambre syndicale du prêt-à-porter des couturiers et des créateurs de mode (2008-2012)</p>

3.1.3 SUPERVISORY BOARD: COMPOSITION AND CONDITIONS GOVERNING THE PREPARATION AND ORGANISATION OF WORK

3.1.3.1 Table of changes in the composition of the Supervisory Board over the year

The General Meeting of 6 June 2017:

- reappointed Monique Cohen, Renaud Momméja and Éric de Seynes 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 year ending 31 December 2019;

- appointed Dorothée Altmayer and Olympia Guerrand as new members to the Supervisory Board for a period of three years and one year respectively. 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, the members of the Supervisory Board drew lots to determine the length of their respective terms.

The meeting of the Supervisory Board on 6 June 2017 renewed the mandate of the Chairman of the Supervisory Board, Mr Éric de Seynes, for the period of his mandate as member of the Supervisory Board.

Date	Departures	Appointments	Reappointments	Changes in terms of diversification (gender parity, other nationalities or experience) or corporate governance
06/06/2017			Monique Cohen Renaud Momméja Éric de Seynes	
06/06/2017		Dorothée Altmayer Olympia Guerrand		Gender parity, experience (human interest background and human resources skills) Gender parity, dual nationality, experience (international culture and knowledge of art)

3.1.3.2 Succession plan for the Chairman of the Supervisory Board

Early in 2018, the CAG 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.

3.1.3.3 Brief presentation of the members of the Supervisory Board

Average seniority:	6½ years
Average age:	52½ years
Percentage of women:	50%
Proportion of independent members:	one-third

Name	Age in 2018	Date of birth	Nationality	Sex	Independent	Date appointed	Date term ends	Length of service
Éric de Seynes (Chairman)	58 years	09/06/1960	French	M		07/06/2010 03/03/2011 (Chairman)	2020 GM	7 years
Monique Cohen (Vice-Chairwoman)	62 years	28/01/1956	French	F	√	03/06/2014	2020 GM	4 years
Dominique Senequier (Vice-Chairwoman)	65 years	21/08/1953	French	F	√	04/06/2013	2019 GM	5 years
Frédéric Afriat (employee representative)	48 years	10/09/1970	French	M		08/11/2016	08/11/2019	1 year
Dorothee Altmayer	57 years	01/03/1961	French	F		06/06/2017	2020 GM	1 year
Charles-Éric Bauer	54 years	09/01/1964	French	M		03/06/2008	2019 GM	10 years
Matthieu Dumas	46 years	06/12/1972	French	M		03/06/2008	2018 GM	10 years
Blaise Guerrand	35 years	04/06/1983	French	M		29/05/2012	2018 GM	6 years
Julie Guerrand	43 years	26/02/1975	French	F		02/06/2005	2019 GM	13 years
Olympia Guerrand	41 years	07/10/1977	French/ Portuguese	F		06/06/2017	2018 GM	1 year
Sharon MacBeath	49 years	30/03/1969	British	F	√	31/05/2016	2019 GM	2 years
Renaud Momméja	56 years	20/03/1962	French	M		02/06/2005	2020 GM	13 years
Robert Peugeot	68 years	25/04/1950	French	M	√	24/01/2007	2018 GM	11 years

Name	Main position outside the Company	Main areas of expertise and experience	Offices in listed companies	Number of shares	Member of the Audit Committee	Member of the CAG Committee
Éric de Seynes (Chairman)	COO of Yamaha Motor Europe	See page 130		203		
Monique Cohen (Vice-Chairwoman)	Partner at Apax Partners	See page 131	BNP Paribas JC Decaux (until 11/05/2017) Safran	250	√	
Dominique Senequier (Vice-Chairwoman)	Chairwoman of Ardian	See page 132		200		√
Frédéric Afriat (employee representative)	Chief Accountant of Hermes Parfums	See page 133		70		
Dorothee Altmayer	Psychologist	See page 133		200		
Charles-Éric Bauer	Associate Director of Hem-Fi Conseil	See page 134		73,648	√	
Matthieu Dumas	Manager of EAQUE	See page 135		213		√
Blaise Guerrand	Managing Partner in corporate takeovers	See page 135		200		
Julie Guerrand	Chairwoman of H51	See page 136		5,825		
Olympia Guerrand	Property administrator	See page 137		306,312		
Sharon MacBeath	Executive Vice-President Human Resources at Tarkett	See page 137	Coface	200	√	√
Renaud Momméja	Manager of Tolazi	See page 138		178,144 (o/w 12 in bare ownership)	√	
Robert Peugeot ¹	Chairman and CEO of FFP	See page 139	DKSH Faurecia FFP PSA Peugeot Citroën Sofina	200	√	√

(1) Robert Peugeot holds five other offices in listed companies but four of them are held pursuant to his position as Chairman and CEO of FFP whose chief business is the acquisition and management of such equity investments.

The composition of the Supervisory Board's specialised committees is shown on pages 150 and 153.

3.1.3.4 Composition of the Supervisory Board

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 Ordinary General Meeting (Article L. 226-4 of the French Commercial Code).

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 Partner.

A member of the Supervisory Board representing the Group's employees (or two if the Supervisory Board has more than 13 members) is designated by the Group Committee (Article 18.6 of the Articles of Association).

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 this period may be shorter on account of the principle of replacing one-third of the Supervisory Board set out in Article 18.2 of the Articles of Association.
- ◆ If there is a renewal in application of the rules relative to the duration of the mandate for independent members or at 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 Chairs from among its members (Article 19.2 of the Articles of Association).

Role and composition of the Supervisory Board at 31 December 2017

The Supervisory Board currently comprises 13 members: Eric de Seynes, (Chairman), Dominique Senequier, (Vice-Chairwoman), Monique Cohen (Vice-Chairwoman), Frédéric Afriat (employee representative), Dorothee Altmayer, Charles-Éric Bauer, Matthieu Dumas, Blaise Guerrand, Julie Guerrand, Olympia Guerrand, Sharon MacBeath, Renaud Momméja and Robert Peugeot. All the Supervisory Board members are French except Sharon MacBeath who is British. Olympia Guerrand is of French and Portuguese nationalities.

Nathalie Besombes, director of company law and stock markets and compliance officer, is the Board Secretary.

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 Partners for their consideration 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 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 regarding the allocation of share premiums, reserves or retained earnings.

Every year the Supervisory Board presents to the Annual Ordinary General Meeting a report (see page 338) 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 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) *This duration may be less: at the time of first appointment on account of the principle of replacing one-third of the Supervisory Board set out in Article 18.2 of the Articles of Association; if there is a renewal in application of the rules relative to the duration of the mandate for independent members or at the age limit.*

Composition at 31/12/2017

Supervisory Board

The Company is governed by a Supervisory Board currently comprising thirteen members appointed for a term of three years¹ selected from among shareholders who are neither an Active Partner nor the legal representative of an Active Partner nor an Executive Chairman. In accordance with Article L. 225-79-2 of the French Commercial Code, the Group Committee has since 19 November 2014 appointed an employee representative to the Supervisory Board.

♦ Éric de Seynes	Chairman and member of the Supervisory Board
♦ Monique Cohen	Vice-Chairwoman and member of the Supervisory Board
♦ Dominique Senequier	Vice-Chairwoman and member of the Supervisory Board
♦ Frédéric Afriat (employee representative)	Other members of the Supervisory Board
♦ Dorothee Altmayer	
♦ Charles-Éric Bauer	
♦ Matthieu Dumas	
♦ Blaise Guerrand	
♦ Julie Guerrand	
♦ Olympia Guerrand	
♦ Sharon MacBeath	
♦ Renaud Momméja	
♦ Robert Peugeot	

Audit Committee

♦ Monique Cohen	Chairwoman of the Audit Committee
♦ Charles-Éric Bauer	Audit Committee members
♦ Sharon MacBeath	
♦ Renaud Momméja	
♦ Robert Peugeot	

Compensation, Appointments and Governance Committee

♦ Dominique Senequier	Chairwoman of the Compensation, Appointments and Governance Committee
♦ Matthieu Dumas	Members of the Compensation, Appointments and Governance Committee
♦ Sharon MacBeath	
♦ Robert Peugeot	

Information on sitting members of the Supervisory Board

ÉRIC DE SEYNES**Executive Vice-President and member of the Supervisory Board of Hermès International**

Direct descendant of Émile-Maurice Hermès.

Date appointed: 7 June 2010

Term of current office: 2020 GM

Address: c/o Hermès International, 24, rue du Faubourg-Saint-Honoré 75008 Paris

Born on: 9 June 1960

Nationality: French

Shares held: 203 wholly-owned shares of which at least 200 are registered at 31 December 2017

Expertise and professional experience

Éric de Seynes is a graduate of École Supérieure Libre des Sciences Commerciales Appliquées (ESLSCA) with a specialisation in marketing. 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. He has been 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.

Eric 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.

Offices and positions held during 2017

- | | |
|---|--|
| ◆ Hermès International ▲● (France)
Chairman and member of the Supervisory Board | ◆ Les Producteurs * (France)
Director |
| ◆ Hermès Sellier ▲ (France)
Member of the Management Board | ◆ MBK (France)
Director |
| ◆ H51 (France)
Director | ◆ Motori Minarelli (Italy)
Director |
| ◆ Groupe option SAS (France)
Chairman | ◆ Sféric SAS (France)
Chairman |
| ◆ Inha Works Limited (Finland)
Director | ◆ C.S.I.A.M. (France)
Co-Chairman (until 16/11/2017) |

Other offices and positions held during the previous four financial years and ending before 1 January 2017

- | | |
|--|--|
| ◆ Brame et Lorenceau * (France)
Director (until 31/12/2015) | ◆ Yamaha Motor France * (France)
Director, and Chairman and Chief Executive Officer (until 01/02/2015) |
| ◆ Naturéo Finance SAS (France)
Member of the Management Board (until 31/12/2015) | ◆ Yamaha Motor Turkey (Turkey)
Director (until 31/12/2015) |

▲ Hermès Group entity ● Listed company * Office taken into account when calculating multiple offices

MONIQUE COHEN

Vice-Chairwoman and member of the Supervisory Board, Chair of the Audit Committee of Hermès International

Not related to the Hermès family; independent according to the criteria applied by the Company.

Date appointed: 3 June 2014

Term of current office: 2020 GM

Address: c/o Hermès International, 24, rue du Faubourg-Saint-Honoré 75008 Paris

Born on: 28/06/1956

Nationality: French

Shares held: 250 wholly-owned shares of which at least 200 are registered at 31 December 2017

Expertise and professional experience

Monique Cohen is a graduate of the École Polytechnique (X76), with 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 business lines. Since 2000 she has been a partner at Apax Partners in charge of investments in business services, financial services and healthcare.

Monique Cohen is a director of the Safran group and Supervisory Board member of JCDecaux. 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 Autorité des marchés financiers (AMF – French financial markets regulator).

Offices and positions held during 2017

- ◆ **Hermès International** ▲● (France)
Vice-Chairwoman and member of the Supervisory Board, Chair of the Audit Committee
- ◆ **Apax Partners MidMarket** (France)
Director
- ◆ **BNP Paribas** ●* (France)
Director
- ◆ **Global Project SAS** (France)
Member of the Supervisory Committee (until 15/09/2017)
- ◆ **JC Decaux** ●* (France)
Member of the Supervisory Committee (until 11/05/2017)
- ◆ **Proxima Investissement** (Luxembourg)
Chairwoman of the Board of Directors and Director
- ◆ **Safran** ●* (France)
Director
- ◆ **SC Fabadari** (France)
Assistant manager
- ◆ **Trocadéro Participations** (France)
Chairwoman and Supervisory Board member

Other offices and positions held during the previous four financial years and ending before 1 January 2017

- ◆ **Trocadéro Participations II** (France)
Chairwoman (until 26/07/2016)
- ◆ **Altamir Gérance** (France)
Deputy Chief Executive Officer (until 04/05/2015)
- ◆ **Financière MidMarket** (France)
Director (until 12/12/2014)
- ◆ **Société de Financement Local** (France)
Director (until 04/06/2014)
- ◆ **Buy Way Personal Finance Belgium** (Belgium)
Director (until 03/04/2014)
- ◆ **Buy Way Tech** (Belgium)
Director (until 03/04/2014)
- ◆ **Wallet Investment I** (Belgium)
Chairwoman of the Board of Directors and Director (until 03/04/2014)
- ◆ **Wallet Investment II** (Belgium)
Chairwoman of the Board of Directors and Director (until 03/04/2014)
- ◆ **Altran Technologies** (France)
Director (until 12/03/2014)
- ◆ **B Capital** (France)
Director (until 24/03/2013)

▲ Hermès Group entity ● Listed company * Office taken into account when calculating multiple offices

DOMINIQUE SENEQUIER**Vice-Chairwoman and member of the Supervisory Board and Chair of the Compensation, Appointments and Governance Committee of Hermès International**

Not related to the Hermès family; independent according to the criteria applied by the Company.

Date appointed: 4 June 2013

Term of current office: 2019 GM

Address: c/o Hermès International, 24, rue du Faubourg-Saint-Honoré 75008 Paris

Born on: 21 August 1953

Nationality: French

Shares held: 200 wholly-owned registered shares at 31 December 2017

Expertise and professional experience

Dominique Senequier is a graduate of the École Polytechnique (X72) and holds a postgraduate diploma (DEA) in Currency Banking Finance from the University of the Sorbonne. She began her career at Gan where she started up and developed the subsidiary Gan Participations from 1987 to 1995 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.

Offices and positions held during 2017

- ◆ **Hermès International** ▲● (France)
Vice-Chairwoman and member of the Supervisory Board, Chair of the Compensation, Appointments and Governance Committee
- ◆ **Ardian Holding** (France)
Permanent Representative of Senus SAS, Chairwoman
- ◆ **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, member of the ASF V, AESF V and ASF VI committees**
Ardian US LLC (USA)
- ◆ **Chairwoman of the Supervisory Committee, member of the Investment Committees ASF III-2, AESF III-2 and AESF IV**
- ◆ **Ardian Beijing Consulting Limited Company LLC** (China)
Member of the Board of Directors
- ◆ **Escouf Properties Corp.** (USA)
Chairwoman
- ◆ **Fondation Polycarpe** (Belgium)
Director
- ◆ **Fondation Uroplus** (France)
Supervisory Board member
- ◆ **Fondation Valentin Haüy** (France)
Member of the Board of Directors
- ◆ **SCI 30 rue Jacob SCI** (France)
Executive Chairwoman
- ◆ **Seneq SA** (Belgium)
Director and Managing Director
- ◆ **Senus SAS** (France)
Chairwoman
- ◆ **Théâtre des Champs-Élysées SA *** (France)
Director
- ◆ **Ydra SAS** (France)
Chairwoman
- ◆ **Fondation Polycarpe** (Belgium)
Director
- ◆ **Fondation Uroplus** (France)
Supervisory Board member

Other offices and positions held during the previous four financial years and ending before 1 January 2017

- ◆ **Ardian SA** (France)
Chairwoman of the Management Board (until 24/06/2014)
- ◆ **Ardian France SA *** (France)
Chairwoman of the Supervisory Board (until 07/07/2015)
- ◆ **Chairwoman of the Management Board** (until 08/04/2014)
Ardian Germany GmbH (Germany)
- ◆ **Chairwoman of the Supervisory Board** (until 07/07/2015)
Ardian Italy Srl
- ◆ **Chairwoman of the Board of Directors** (until 02/06/2014)
Ardian Holding (France)
- ◆ **Chairwoman** (until 10/09/2013)
AXA Infrastructure Investissement SAS (France)
- ◆ **Chairwoman, member of the Management Board and of the Coordination Committee** (until 27/05/2014)
- ◆ **AXA Private Equity Eastern Europe GmbH** (Austria)
Chairwoman of the Supervisory Board (until 05/12/2013)
- ◆ **Ardian Holding** (France)
Chairwoman (until 10/09/2013)
- ◆ **Compagnie Industriale Reunite SpA** (Italy)
Member of the Board of Directors (until 30/06/2014)
- ◆ **Groupe Bourbon** (France)
Nonvoting Director (until 29/05/2013)
- ◆ **United Nations** (USA)
Member of the Investment Committee (until 30/08/2013)
- ◆ **Schneider Electric SA** (France)
Member of the Supervisory Board and nonvoting member of the Supervisory Board (until 25/06/2013)

▲ Hermès Group entity ● Listed company * Office taken into account when calculating multiple offices

FRÉDÉRIC AFRIAT

Employee Representative Member of the Supervisory Board

Unrelated to the Hermès family.

Date appointed: 8 November 2016

Term of current office:

8 November 2019

Address: c/o Hermès International,
24, rue du Faubourg-Saint-Honoré
75008 Paris

Born on: 10/09/1970

Nationality: French

Shares held: 70 wholly-owned shares
at 31 December 2017

Expertise and professional experience

Frédéric Afriat was appointed by the Group Committee to the Supervisory Board as an employee representative on and with effect from 8 November 2016. He holds an accounting certificate (BTS) as well as an accounting degree (DECF) and has 25 years' experience in the accounting profession with various firms such as Roche Bobois, McDonald's France and Bouygues. Chief accountant for eight years at Comptoir Nouveau de la Parfumerie (Hermès Parfums), he deals with the company's accounting, tax, social and budgetary aspects on a day-to-day basis. Prior to his appointment to the Supervisory Board, he occupied two posts as employee representative: member of the works council, staff representative at Comptoir Nouveau de la Parfumerie (Hermès Parfums) and staff representative on the Group Committee.

Offices and positions held during 2017

- ◆ **Hermès International** ▲● (France)
Employee Representative on the Supervisory Board
- ◆ **Comptoir Nouveau de la Parfumerie** ▲ (France)
Chief accountant

Other offices and positions held during the previous four financial years and ending before 1 January 2017

None

DOROTHÉE ALTMAYER

Direct descendant of Émile-Maurice Hermès.

Date appointed: 6 June 2017

Term of current office: 2020 GM

Adresse: c/o Hermès International,
24, rue du Faubourg-Saint-Honoré
75008 Paris

Born on: 0¹ March 1961

Nationality: French

Shares held: 200 wholly-owned shares
at 31 December 2017 all registered at
11/01/2018

Expertise and professional experience

Dorothee Altmayer holds a degree in clinical psychology from the École de psychologues praticiens (EPP/ Psychoprat) (1984), a postgraduate 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 been in private practice, specialising in parent-child interviews, psychological assessments and individual art therapy sessions for children.

Offices and positions held during 2017

- ◆ **Hermès International** ▲● (France)
Member of the Supervisory Board
- ◆ **H2 (France)**
Director
- ◆ **Comptoir Nouveau de la Parfumerie** ▲* (France)
Director
- ◆ **Alvila (France)**
Executive Chairwoman
- ◆ **Hermès Sellier** ▲ (France)
Member of the Management Board
(until 12/09/2017)
- ◆ **Alvila Immobilier**
Executive Chairwoman

Other offices and positions held during the previous four financial years and ending before 1 January 2017

None

▲ Hermès Group entity ● Listed company * Office taken into account when calculating multiple offices

CHARLES-ÉRIC BAUER**Member of the Supervisory Board
and the Audit Committee of Hermès
International**

Direct descendant of Émile-Maurice
Hermès.

Date appointed: 3 June 2008

Term of current office: 2019 GM

Address: c/o Hermès International,
24, rue du Faubourg-Saint-Honoré
75008 Paris

Born on: 9 January 1964

Nationality: French

Shares held: 73,648 wholly-owned
shares at 31 December 2017 of which
at least 200 are registered

Expertise and professional experience

Charles-Éric Bauer holds a degree in technical analysis from Institut des Techniques de Marchés. He is also a graduate of École d'Administration et Direction des Affaires (EAD) business school, option: finance. He served as Co-Managing Director of and Head of Mutual Fund Management at CaixaGestion from 2000 to 2005, and as director, Corporate and Institutional Clients, CaixaBank France, from 2005 to 2007. Since March 2007 he has been the Managing Partner of Hem-Fi Conseil, a private equity firm.

Charles-Éric Bauer has been a member of the Supervisory Board since 3 June 2008. He has also been a member of the Audit Committee since its inception on 26 January 2005.

Offices and positions held during 2017

- ◆ **Hermès International** ▲● (France)
Member of the Supervisory Board and Audit Committee
- ◆ **Almareen 2** (France)
Executive Chairman
- ◆ **H51** (France)
Director
- ◆ **Hem-Fi Conseil** (France)
Associate director
- ◆ **Sabarots** (France)
Executive Chairman
- ◆ **Samain B2** (France)
Executive Chairman
- ◆ **Yundal** (France)
Executive Chairman
- ◆ **Zumsee** (France)
Executive Chairman

Other offices and positions held during the previous four financial years and ending before 1 January 2017

- ◆ **Almareen** (France)
Manager (until 27/12/2015)

MATTHIEU DUMAS

Member of the Supervisory Board and the Compensation, Appointments and Governance Committee of Hermès International

Direct descendant of Émile-Maurice Hermès.

Date appointed: 3 June 2008

Term of current office: 2018 GM

Address: c/o Hermès International, 24, rue du Faubourg-Saint-Honoré 75008 Paris

Born on: 6 December 1972

Nationality: French

Shares held: 213 wholly-owned shares at 31 December 2017 of which at least 200 are registered

Expertise and professional experience

Matthieu Dumas holds a Masters in Law from Université Paris II-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 became Brand Manager of 13e Rue, NBC Universal Group, then Deputy Managing Director of all PureScreens brands in 2010 before being appointed Marketing and Communication Manager of the Discovery Channel in France in 2011.

Since 2013 he has been the manager of EAQUE.

Matthieu Dumas has been a member of the Supervisory Board and the Compensation, Appointments and Governance Committee since 3 June 2008. He has been certified as a Company Director (ASC France) by the IFA and Sciences Po since 2015.

Offices and positions held during 2017

- ◆ **Hermès International** ▲● (France)
Member of the Supervisory Board and of the Compensation, Appointments and Governance Committee
- ◆ **Comptoir Nouveau de la Parfumerie** ▲* (France)
Director
- ◆ **Asope** (France)
Executive Chairman
- ◆ **Axam 2** (France)
Executive Chairman
- ◆ **BOVES** (France)
Executive Chairman
- ◆ **Yundal** (France)
Executive Chairman
- ◆ **Eaque** (France)
Executive Chairman
- ◆ **H2** (France)
Chairman and Director
- ◆ **HECATE** (France)
Executive Chairman
- ◆ **Krefeld** (France)
Chairman and Director
- ◆ **Krefeld Immo** (France)
Chairman and Director
- ◆ **LDMD** (France)
Executive Chairman
- ◆ **Mathel** (France)
Executive Chairman

Other offices and positions held during the previous four financial years and ending before 1 January 2017

- ◆ **Discovery Networks** (France)
Marketing and Communication Manager (until 01/02/2013)

BLAISE GUERRAND

Member of the Hermès International Supervisory Board

Direct descendant of Émile-Maurice Hermès.

Date appointed: 29 May 2012

Term of current office: 2018 GM

Address: c/o Hermès International, 24, rue du Faubourg-Saint-Honoré 75008 Paris

Born on: 4 June 1983

Nationality: French

Shares held: 200 wholly-owned registered shares at 31 December 2017

Expertise and professional experience

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.

Offices and positions held during 2017

- ◆ **Hermès International** ▲● (France)
Supervisory Board member
- ◆ **Hermès Sellier** ▲ (France)
Member of the Management Board
- ◆ **ACCESS Health International** (USA)
Director
- ◆ **Jakyval** (Luxembourg)
Director
- ◆ **SCI Sèvres SCIFAH** (France)
Executive Chairman

Other offices and positions held during the previous four financial years and ending before 1 January 2017

- ◆ **Avest Capital** (Ile-Maurice)
Director (until 29/12/2015)

JULIE GUERRAND**Member of the Hermès International Supervisory Board**

Direct descendant of Émile-Maurice Hermès.

Date appointed: 2 June 2005

Term of current office: 2018 GM

Address: c/o Hermès International, 24, rue du Faubourg-Saint-Honoré 75008 Paris

Born on: 26 February 1975

Nationality: French

Shares held: 5,825 wholly-owned shares at 31 December 2017 of which at least 200 are registered

Expertise and professional experience

Julie Guerrand holds a DEUG advanced degree in applied mathematics and social sciences and a Master of Economics and Industrial Strategy from Université Paris IX-Dauphine. Between 1998 and 2006 she worked in the financial affairs department (mergers & acquisitions) of investment bank Rothschild & Cie. From 2007 to 2011 she was Director of Equity Investments at Paris Orléans, a holding company listed on Euronext controlled by the Rothschild family. She joined 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 Cuirs Précieux division. She has been certified as a Company Director (ASC France) by the IFA and Sciences Po since 2014.

Julie Guerrand has been a member of the Supervisory Board since 2 June 2005. She was also a member of the Audit Committee from its inception on 26 January 2005 until 2 March 2011.

Offices and positions held during 2017

- ◆ **Hermès International** ▲ ●
Supervisory Board member
- ◆ **Hermès Cuirs Précieux** ▲ (France)
Member of the Management Board
- ◆ **Antonino** (France)
Executive Chairwoman
- ◆ **Compagnie des Cuirs Précieux** ▲ (France)
Deputy Managing Director – Finance and Organisation
- ◆ **Fondation d'entreprise Hermès** (France)
Director
- ◆ **H51** (France)
Chairwoman
- ◆ **Idi** (France)
Supervisory Board member
- ◆ **Jakyval** (Luxembourg)
Director
- ◆ **Jerocar** (France)
Executive Chairwoman
- ◆ **La mazarine-SCIFAH** (France)
Executive Chairwoman
- ◆ **Les domaines Barons de Rothschild (Lafite)** (France)
Supervisory Board member
- ◆ **SCI Apremont** (France)
Executive Chairwoman
- ◆ **SCI Briand Villiers I** (France)
Executive Chairwoman
- ◆ **SCI Briand Villiers II** (France)
Executive Chairwoman
- ◆ **SCI 8 Drouot** (France)
Executive Chairwoman
- ◆ **SIFAH** (France)
Director
- ◆ **Société Immobilière du Dragon** (France)
Executive Chairwoman
- ◆ **Val d'Isère Carojero** (France)
Executive Chairwoman
- ◆ **Vie et Veranda Groupe** (France)
Director

Other offices and positions held during the previous four financial years and ending before 1 January 2017

- ◆ **28-30-32 Faubourg Saint-Honoré** (France)
Director (until 15/07/2015)

OLYMPIA GUERRAND

Direct descendant of Émile-Maurice Hermès.

Date appointed: 6 June 2017

Term of current office: 2018 GM

Address: c/o Hermès International, 24, rue du Faubourg-Saint-Honoré 75008 Paris

Born on: 7 October 1977

Nationality: Franco-Portuguese

Shares held: 306,312 wholly-owned shares at 31 December 2017 of which at least 200 are registered

Expertise and professional experience

Olympia 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, business lines, production units and stores). She has been a real estate administrator since 2008.

Offices and positions held during 2017

- ◆ **Hermès International** ▲● (France)
Supervisory Board member
- ◆ **Hermès Sellier** ▲ (France)
Member of the Management Board

Other offices and positions held during the previous four financial years and ending before 1 January 2017

- ◆ None

SHARON MACBEATH

Member of the Supervisory Board and the Audit Committee of Hermès International

Not related to the Hermès family; independent according to the criteria applied by the Company.

Date appointed: 31 May 2016

Term of current office: 2019 GM

Address: c/o Hermès International, 24, rue du Faubourg-Saint-Honoré 75008 Paris

Born on: 30 March 1969

Nationality: British

Shares held: 200 wholly-owned registered shares at 31 December 2017

Expertise and professional experience

Sharon MacBeath is a graduate of Glasgow University, the Panthéon-Sorbonne University and INSEAD. Her development has been enriched by her diversity of experiences, both in the business community as well as mass distribution, and now business to business.

She has served successively as Director of Human Resources at McDonald's, Managing Director at EMDS Consulting, Human Resources Group Director at Rexam, where she was primarily in charge of risk management topics, and Senior Vice-Chairwoman of Human Resources and Communications at Redcats. From 2013 to 2016 she served as Senior Human Resources Vice-Chairwoman at Rexel. Since 3 January 2017 she has been Director of Human Resources and Communications of the Tarkett Group and a member of its Executive Committee and Management Board.

Sharon MacBeath has been a member of the Supervisory Board since 31 May 2016. She has also been a member of the Audit Committee since 31 May 2016.

Offices and positions held during 2017

- ◆ **Hermès International** ▲● (France)
Member of the Supervisory Board and Audit Committee
- ◆ **Tarkett** (France)
Human Resources and Communication Director, member of the Executive Committee and the Management Board
- ◆ **Coface** ●* (France)
Independent director

Other offices and positions held during the previous four financial years and ending before 1 January 2017

- ◆ **Rexel** ● (France)
Senior Vice-President, Human Resources, member of the Executive Committee (until 31/10/2016)
- ◆ **Redcats** (France)
Senior Vice-President, Human Resources and Communications, member of the Executive Committee (until 31/10/2013)

▲ Hermès Group entity ● Listed company * Office taken into account when calculating multiple offices

RENAUD MOMMÉJA**Member of the Supervisory Board
and the Audit Committee of Hermès
International**

Direct descendant of Émile-Maurice
Hermès.

Date appointed: 2 June 2005

Term of current office: 2020 GM

Address: c/o Hermès International,
24, rue du Faubourg-Saint-Honoré
75008 Paris

Born on: 20/03/1962

Nationality: French

Shares held: 178,132 wholly-
owned shares and 12 shares in bare
ownership at 31 December 2017 of
which at least 200 are registered

Expertise and professional experience

Renaud Momméja is a graduate of 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.

Renaud Momméja has been a member of the Supervisory Board since 2 June 2005. He has also been a member of the Audit Committee since 3 June 2008.

Offices and positions held during 2017

- ◆ **Hermès International** ▲● (France)
Member of the Supervisory Board and Audit Committee
- ◆ **Altizo** (France)
Executive Chairman
- ◆ **Binc** (France)
Executive Chairman
- ◆ **Comptoir Nouveau de la Parfumerie** ▲* (France)
Director
- ◆ **GFA Château Fourcas Hosten** (France)
Co-Executive Manager
- ◆ **H2** (France)
Director
- ◆ **HUSO** * (France)
Director
- ◆ **J.L. & Co** ▲ (United Kingdom)
Director
- ◆ **Lor** (France)
Co-Executive Manager
- ◆ **Rose Investissement** (France)
Executive Chairman
- ◆ **SARL Tolazi** (France)
Executive Chairman
- ◆ **SCI AJimmo** (France)
Co-Executive Manager
- ◆ **SCI Auguste Hollande** (France)
Co-Executive Manager
- ◆ **SCI Briand Villiers I** (France)
Executive Chairman
- ◆ **SCI Briand Villiers II** (France)
Executive Chairman
- ◆ **SCI de l'Univers** (France)
Executive Chairman
- ◆ **SCI du 74 rue du Faubourg-Saint-Antoine** (France)
Co-Executive Manager
- ◆ **Société civile du Château Fourcas Hosten** (France)
Permanent Representative of Lor, Executive Manager
- ◆ **SIFAH** (France)
Chairman
- ◆ **SCI Tibemo** (France)
Co-Executive Manager
- ◆ **SCI Zotila Vaugirard** (France)
Chairman

Other offices and positions held during the previous four financial years and ending before 1 January 2017

- ◆ **28-30-32 Faubourg Saint-Honoré** (France)
Chairman (until 02/07/2015)
- ◆ **H2** (France)
Chairman (until 18/05/2016)
- ◆ **Société immobilière du Faubourg Saint-Honoré "SIFAH"** (France)
Manager (until 02/07/2015)

▲ Hermès Group entity ● Listed company * Office taken into account when calculating multiple offices

ROBERT PEUGEOT

Member of the Supervisory Board, the Audit Committee and the Compensation, Appointments and Governance Committee of Hermès International

Not related to the Hermès family; independent according to the criteria applied by the Company.

Date appointed: 24 January 2007

Term of current office: 2018 GM

Address: c/o Hermès International, 24, rue du Faubourg-Saint-Honoré 75008 Paris

Born on: 25/04/1950

Nationality: French

Shares held: 200 wholly-owned registered shares at 31 December 2017

Expertise and professional experience

After his studies at the École Centrale de Paris and INSEAD, Robert Peugeot occupied various managerial posts within the PSA Peugeot Citroën Group and was a member of the Executive Committee of the Group between 1998 and 2007 in charge of innovation and quality. He is a Permanent Representative of FFP to the Supervisory Board of Peugeot SA, a member of the Financial and Audit Committee and he chairs the Strategic Committee. He has managed the development of FFP since the end of 2002.

Robert Peugeot has been a member of the Supervisory Board of Hermès International since 24 January 2007. Since 3 June 2008 he has also served on the Audit Committee and the Compensation, Appointments and Governance Committee.

Offices and positions held during 2017

- ◆ **Hermès International** ▲● (France)
Member of the Supervisory Board, the Audit Committee and the Compensation, Appointments and Governance Committee
- ◆ **CHP Gestion** (France)
Executive Chairman
- ◆ **DKSH** ● (Switzerland)
Director, member of the Compensation and Appointments Committee
- ◆ **Établissements Peugeot Frères-EPF** * (France)
Director, Chairman of the Accounts Committee
- ◆ **Faurecia** ● (France)
Director, member of the Management Committee
- ◆ **FFP** ●* (France)
Chairman and CEO, Chairman of the Equity Investments Committee
- ◆ **FFP Invest** (France)
Permanent Representative of FFP Invest, Chairman
- ◆ **Financière Guiraud SAS** (France)
Permanent representative of FFP Invest, Chairman and member of the Supervisory Board
- ◆ **PSA Peugeot Citroën (Peugeot SA)** ● (France)
Permanent representative of FFP, member of the Supervisory Board, Chairman of the Strategy Committee and member of the Finance and Audit Committee
- ◆ **SCAV Armene** (France)
Permanent representative of Maillot I on the Board of Directors
- ◆ **SCI Rodom** (France)
Executive Chairman
- ◆ **Sofina** ● (Belgium)
Director, Chairman of the Compensation Committee and Chairman of the Appointments Committee
- ◆ **Tikehau Capital Advisors** (France)
Member of the Board of Directors and member of the Compensation Committee

Robert Peugeot holds five other appointments in listed companies, but four of these appointments are held pursuant to his functions as Chairman and CEO of FFP, the main business of which is the acquisition and management of such equity investments.

Other offices and positions held during the previous four financial years and ending before 1 January 2017

- ◆ **SANEF** * (France)
Permanent representative of FFP Invest on the Board of Directors, member of the Appointments Committee (until 28/04/2017)
Director, Chairman of the Compensation and Appointments Committee (until 17/06/2014)
- ◆ **Imerys** ●* (France)
Director, member of the Strategic Committee, member of the Appointments and Compensation Committee (until 04/05/2016)
- ◆ **Holding Reinier** (France)
Director, member of the Compensation Committee, member of the Strategic Committee (until 03/09/2016)
- ◆ **IDI Emerging Markets** (Luxembourg)
Permanent representative of FFP Invest on the Supervisory Board (until 15/06/2015)
Member of the Supervisory Board (until 13/05/2014)
- ◆ **Peugeot SA** ● (France)
Chairman of the Strategic Committee, member of the Finance and Audit Committee (until 25/04/2014)
Member of the Supervisory Board (until 25/04/2014)
- ◆ **Zodiac Aerospace** (France)
Permanent representative of FFP Invest on the Supervisory Board, member of the Accounts Committee (until 16/07/2014)

▲ Hermès Group entity ● Listed company * Office taken into account when calculating multiple offices

3.1.3.5 Diversity policy**Changes in the composition of the Board since 2011**

Since 2011 the CAG Committee has been assigned 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 Committee has organised its assignment 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;
3. set up a schedule of changes in the Supervisory Board's composition.

The work carried out is 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)

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*).

In accordance with Article L. 225-37-4 of the French Commercial Code, the objectives defined in 2012, their means of implementation and the results achieved at the end of 2017 are as follows:

Criteria used	Objectives set in 2012	Means of implementation and results at 31 December 2017
Optimal size (number of Board members) The Board comprised 10 members within a range of 3 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 can be reconsidered later if other constraints (proportion of women and 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 a member representing employees) and then to 13 in 2017 (with the appointment of two new women).
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.	Appointments of Dominique Senequier in 2013 and Monique Cohen in 2014. End of 2014: 40% women and 60% men. Appointment of Sharon MacBeath in 2016 and Dorothee Altmayer and Olympia Guerrand in 2017. 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> <ul style="list-style-type: none"> ♦ replace the two independent members (Ernest-Antoine Sellière and Maurice de Kervenoaël) who would be over 75 at the end of their respective terms in 2013 and 2014; ♦ find a suitable female candidate to be an independent member of the Audit Committee in 2014. 	Appointment of Dominique Senequier to the Board in 2013. Appointment of Monique Cohen to the Board and the Audit Committee in 2014. Appointment of Sharon MacBeath to the Board and the Audit Committee in 2016. End-2017: 1/3 of independent members.

Criteria used	Objectives set in 2012	Means of implementation and results at 31 December 2017
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; ◆ simultaneously holding offices in other listed companies is not in itself a handicap but must be taken into account for good governance. 	<p>Appointment of Dominique Senequier to the Board in 2013 (financial profile).</p> <p>Appointment of Monique Cohen in 2014 (financial profile, Audit Committee experience).</p> <p>Appointment in 2015 of Sharon MacBeath in 2016 (experience in human resources and British nationality).</p> <p>Appointment of Dorothée Altmayer (experience in human resources and psychology) and Olympia Guerrand (international experience and dual nationality) in 2017.</p>
Possibility of appointing a nonvoting member	Objective: unfavourable because this role can be entrusted to a Board member without the need to appoint a nonvoting member.	Unchanged.
Criteria used	Objectives set in 2014	Achievements and situation at 31 December 2017
Employee Representative member	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 law 2013-504 of 14 June 2013 on employment security. The member(s) representing employees will be appointed by the Group Committee, 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>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>

At its meetings of 13 September 2017 and of 20 March 2018, the Supervisory Board deemed the composition of the Board satisfactory and as such did not set a new short-term diversity target.

The General Meeting of 5 June 2018 will be asked to:

- ◆ reappoint Matthieu Dumas, Blaise Guerrand and Olympia Guerrand for a period of three years as set out in the Articles of Association;
- ◆ reappoint Robert Peugeot for a period of one year so as to replace him in the best possible conditions with a new independent member at

the 2019 General Meeting. The Supervisory Board deemed it better to have a slightly lower proportion of independent members on the Board (25%) and Audit Committee (40%) than required by the AFEP-MEDEF Code for a few months rather than not apply an independence criterion with regard to Robert Peugeot.

Information regarding them is provided on pages 135, 137 and 139.

Number of Supervisory Board members and gender parity (excluding the employee representative)

31/12	2011	2012	2013	2014	2015	2016	2017	2018 ¹
Number	10	11	11	10	10	10	12	12
Employee rep.	n/a	n/a	n/a	1	1	1	1	1
F	20%	18%	27%	40%	40%	40%	50%	50%
M	80%	82%	73%	60%	60%	60%	50%	50%

n/a: not applicable.

(1) Subject to approval by the Combined General Meeting of 5 June 2018.

3.1.3.6 Independence of the members of the Supervisory Board

Independence criteria

In 2009 the Supervisory Board formally adopted the following criteria for its members to be deemed independent:

- ◆ meet the criteria set out in the AFEP-MEDEF Corporate Governance Code including the length of service criterion which has been respected since 2013 (Article 8.5 of the November 2016 version of the Code):

Criterion 1	Not to be and not to have been during the course of the previous five years: <ul style="list-style-type: none"> ◆ an employee or executive Officer of the corporation; ◆ an employee, executive Officer of a company or a director of a company consolidated within the corporation; ◆ an employee, executive Officer or a director of the company's parent company or a company consolidated within this parent.
Criterion 2	Not to be an executive Officer of a company in which the corporation holds a directorship, directly or indirectly, or in which an employee appointed as such or an executive Officer of the corporation (currently in office or having held such office during the last five years) is a director.
Criterion 3	Not to be a customer, supplier, commercial banker or investment banker: <ul style="list-style-type: none"> ◆ that is material to the corporation or its group; ◆ or for a significant part of whose business the corporation or its group accounts. The evaluation of the significant or non-significant relationship with the company or its group must be debated by the Board and the quantitative criteria that lead to the evaluation (continuity, economic dependence, exclusivity, etc.) Must be explicitly stated in the annual report.
Criterion 4	Not to be related by close family ties to a company Officer.
Criterion 5	Not to have been an auditor of the corporation within the previous five years.
Criterion 6	Not to have been a director of the corporation for more than twelve years. Loss of the status of independent director occurs on the date at which this period of twelve years is reached.
Criterion 7	Not to hold a significant percentage (over 10%) of the Company's capital or voting rights.
	◆ meet an additional criterion specific to Hermès International:
Criterion 8	Not to be a partner or member of the Executive Management Board of Émile Hermès SARL, Active Partner.

Situation of each member of the Supervisory Board in view of the above -criteria

On 31 December 2017 the Board examined the situation of each of its members in the light of the above criteria on a case-by-case basis and deemed four of them to be independent: Monique Cohen, Dominique

Senequier, Sharon MacBeath and Robert Peugeot. In particular the Board identified no significant business relationships between its members and the Company. This analysis is performed each year on the basis of a questionnaire sent to all Supervisory Board members (see page 144 below).

Criteria	1	2	3	4	5	6	7	8	Independent
Éric de Seynes (Chairman)		√	√		√	√	√		
Monique Cohen (Vice-Chairwoman)	√	√	√	√	√	√	√	√	√
Dominique Senequier (Vice-Chairwoman)	√	√	√	√	√	√	√	√	√
Frédéric Afriat (Employee representative)		√	√	√	√	√	√	√	
Dorothee Altmayer		√	√		√	√	√		
Charles-Éric Bauer		√	√		√	√	√		
Matthieu Dumas		√	√		√	√	√		
Blaise Guerrand		√	√		√	√	√		
Julie Guerrand		√	√		√		√		
Olympia Guerrand		√	√		√	√	√		
Sharon MacBeath	√	√	√	√	√	√	√	√	√
Renaud Momméja		√	√		√		√		
Robert Peugeot	√	√	√	√	√	√	√	√	√

In accordance with Article 8.3 of the November 2016 AFEP-MEDEF Code, 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.

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.

Employee Representative Board members are not included in the calculation of this percentage.

The Supervisory Board has complied with this proportion since it was introduced in 2009.

3.1.3.7 Business ethics of the Supervisory Board

Rules of procedure – Code of market ethics

At its meeting of 18 March 2009 the Supervisory Board adopted its rules of procedure which set out the terms governing the structure and workings of Hermès International's Supervisory Board and its committees in addition to 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.

The ninth version of the rules of procedure dated 26 January 2018 is provided on page 169 and each update is made available online at <http://finance.hermes.com/en/Corporate-Governance/Management-Bodies/The-Supervisory-Board>.

On 21 March 2017 the Supervisory Board's rules of procedure were updated as follows:

- ◆ the reference to the AFEP-MEDEF code revised in November 2016 was updated (§ 1.1.21.);
- ◆ the proportion of independent members was clarified (§ 1.1.2.3.);
- ◆ the provisions contained in the Supervisory Board's ethics charter were included (§ 1.1.3);
- ◆ the wording was made clearer overall.

On 26 January 2018 the Supervisory Board's rules of procedure were updated as follows:

- ◆ the procedure for declaring business relationships was clarified (§ 1.1.3.6.);
- ◆ the new terms of distributing directors' fees adopted in June 2017 were included (§ 3.1.).

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 Code of Market Ethics** which lays out strict guidelines on *Preventing Insider Misfeasance, Market Ethics, Closed Period Obligations, and Disclosure Obligations*. The Code received the endorsement of the AMF and 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 absorbed the rest of the old ethics charter.

A summary of the Hermès Group Code of Market Ethics is provided on page 308 and each update is made available online at <http://finance.hermes.com/en/Corporate-Governance/Management-Bodies/The-Supervisory-Board>.

The Code of Market Ethics was updated on 25 July 2017 and 1 January 2018 mainly to incorporate regulatory changes (ESMA clarifications, CNIL exemption, amendment of the AMF General Regulation).

In 2017 the Supervisory Board met seven times with an almost 100% rate of attendance as shown in the table below:

2017	Attendance at Supervisory Board meetings	Attendance at Compensation, Appointments and Governance Committee meetings	Attendance at Audit Committee meetings
Average attendance	96.70%	100.00%	86.67%
Éric de Seynes (Chairman)	100.00%	n/a	n/a
Monique Cohen (Vice-Chairwoman)	100.00%	n/a	100.00%
Dominique Senequier (Vice-Chairwoman)	100.00%	100.00%	n/a
Frédéric Afriat (Employee representative)	100.00%	n/a	n/a
Dorothee Altmayer (from 06/06/2017)	100.00%	n/a	n/a
Charles-Éric Bauer	100.00%	n/a	100.00%
Matthieu Dumas	100.00%	100.00%	n/a
Blaise Guerrand	100.00%	n/a	n/a
Julie Guerrand	100.00%	n/a	n/a
Olympia Guerrand (from 06/06/2017)	100.00%	n/a	n/a
Sharon MacBeath	100.00%	100.00%	83.33%
Renaud Momméja	85.71%	n/a	83.33%
Robert Peugeot	71.43%	100.00%	66.67%

n/a: not applicable.

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 statutory declaration stating whether or not there is a conflict of interest, even a potential one:

- ◆ *at the time of his or her appointment;*
- ◆ *every year when the 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.

Attendance

The Supervisory Board's rules of procedure (Article 1.1.3.8.) note that the 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 distribution of directors' fees and compensation adopted by the Board include a variable component in proportion to attendance at meetings currently equal to 64.53% for the Supervisory Board and 60% for the Committees.

The declaration serves as a basis to assess the material nature of business relationships that could affect the independence of a Board member as required by recommendation 8.5.3 of the AFEP-MEDEF Code. The assessment 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 assessment is made on a case-by-case basis.

Monique Cohen, Sharon MacBeath and Robert Peugeot declared no business relationships with the company.

Dominique Senequier declared a non-significant business relationship described on page 235 under related party transactions.

After examining each of these situations in early 2018, the CAG Committee concluded that none of them were of such a nature 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.

Plurality 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 being expressly excluded from the provisions applicable to partnerships limited by shares.

The examination of the individual situation of each Supervisory Board member and the Executive Chairmen in view of the rules on the plurality of offices indicated that no Supervisory Board member or Executive Chairman held multiple offices with regard to both legal rules and the principles set out in Article 18.4 of the November 2016 AFEP-MEDEF Corporate Governance Code (not holding more than four other offices in companies outside the Group except for entities whose chief activity is the acquisition and management of equity interests).

Number of shares to be held by members of the Supervisory Board

The rules of procedure require Supervisory Board members except for the Employee Representative to own a relatively significant number (200) of registered shares. The value of these shares based on the Hermès International share price at 29 December 2017 (€446.25) is equal to more than three years of directors' fees.

At its meeting of 26 January 2018 the Supervisory Board noted that all members of the Supervisory Board complied with this obligation.

3.1.3.8 Workings of the Supervisory Board

Role of the Supervisory Board

The primary role of the Supervisory Board of a *société en commandite par actions* (partnership limited by shares) is to maintain ongoing control over the Company's management in accordance with the law and with the Articles of Association. In this respect, the Supervisory Board is responsible for assessing 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 and consolidated financial statements, decides on the proposed allocation of net income, and provides all recommendations and authorisations.

The Supervisory Board describes the due diligence procedures it carried out during the year ended 31 December 2017 in a report presented to the General Meeting called to approve the financial statements (page 338). The functions exercised by the Supervisory Board do not entail any inter-

ference with the Executive Management, or any liability arising from the management's actions or from the results of such actions.

In accordance with Article L. 226-10-1 of the French Commercial Code amended by Ordinance No. 2017-1162 of 12 July 2017, 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.

At its meeting of 26 January 2018 the Supervisory Board approved the acceptance by Axel Dumas of a directorship at L'Oréal.

Duties of the Chairman of the Supervisory Board and activity report – Communication with shareholders

In 2017 the Supervisory Board gave its Chairman no duties other than those conferred by law.

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 executive compensation) which were previously the subject of a presentation;
- ◆ ensuring that shareholders receive the information they expect from the Company.

The Chairman must report annually to the Supervisory Board on the execution of his duties.

No additional compensation is allocated to the Chairman for executing these duties.

Supervisory Board's master file

Since 2011 a "master file" has been provided to the Supervisory Board. It has been available since 2016 on the Board's collaborative platform name "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 Committee rules of procedure;
- ◆ the CAG Committee rules of procedure;
- ◆ the Hermès Group Code of Market Ethics;
- ◆ a calendar of closed periods applicable to Permanent Insiders;
- ◆ the AMF guide on ongoing information and managing inside information;
- ◆ regulations regarding the declaration and direct registration obligations of senior executives;
- ◆ principles governing the distribution of directors' fees;
- ◆ rules on the reimbursement of expenses;

- ◆ a certificate and insurance summary of Corporate Officers' civil liability;
- ◆ 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);
- ◆ ethics charter of the Hermès Group;
- ◆ presentations of Hermès International and Émile Hermès SARL;
- ◆ the annotated Articles of Association.

This master file is updated on a regular basis.

Supervisory Board meetings – “Herboard” collaborative platform

The procedures for calling meetings and the rules governing quorums and majorities 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. The Supervisory Board met seven times in 2017.

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 (since 2011 at least 48 hours beforehand whenever possible). Persons who are not Board members, in particular members of the Executive Committee and of the Management Committee, 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 and that are technical in nature or require special expertise.

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.

Since 2016 the Supervisory Board has made use of a secure cloud-based 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 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 Board members who request one.

Training for Supervisory Board members – Integration programme

Supervisory Board members can make use of the Company's group membership of IFA, and thereby take advantage of all of its services. Julie Guerrand became a certified company Board member (receiving the ASC France Certificate issued by the IFA) in 2013 and 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 Committee set up an integration and training programme for new Board members which entails:

- ◆ receiving a new member integration kit of legal and governance documents containing:
 - the Supervisory Board's master file (see page 145 et 146),
 - the “20 years in the stock market” booklet (2013),
 - the Supervisory Board's dashboard for the current year,
 - the schedule of Supervisory Board meetings for the next three years,
 - the IFA Director handbook (2014);
- ◆ joining the three-day in-house “Mosaic” training session with employees;
- ◆ being briefed on the Company's ownership structure and Active Partner (Émile Hermès SARL);
- ◆ “Catching up” on site visits (see page 148) since 2011 (if necessary);
- ◆ taking part in IFA governance training (if necessary);
- ◆ being briefed on new Hermès collections.

Expense reimbursements

Supervisory Board members are reimbursed for travel, accommodation and restaurant expenses incurred thereby to attend the Supervisory Board meetings, upon presentation of substantiating documents or receipts. These reimbursements are capped (see rules of procedure, page 172) and based on the rules applicable to Group employees.

Directors' fees and compensation

Information relating to directors' fees and compensation of the Supervisory Board is presented in § 3.1.4.3 on page 156.

3.1.3.9 Work of the Supervisory Board

Group activity and finance

In 2017 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 parent company and consolidated financial statements;
- ◆ examined the 2017 budget;
- ◆ reviewed documents on forecasting and planning;
- ◆ determined the allocation of earnings to be put to the General Meeting of 6 June 2017;
- ◆ reviewed the situation of certain equity investments;
- ◆ formally noted proposals for acquisitions, disposals and equity investments;
- ◆ formally noted investment proposals;
- ◆ examined the reports and work of the Audit Committee described on page 154.

Recommendations, authorisations and other items

In 2017, the Supervisory Board:

- ◆ authorised and reclassified related-party agreements and reviewed those for which the effects are ongoing (see the Supervisory Board's report to the General Meeting on page 338);
- ◆ approved the resolutions put to the Combined General Meeting of 6 June 2017 and acquainted itself with the reports drawn up by Executive Management;
- ◆ formally noted the summary statement of services provided by Hermès International to Émile Hermès SARL in 2016 and projections for 2017;
- ◆ discussed the Company's policy with regard to gender equality and equal pay for equal work;
- ◆ approved the wording of the prudential rules applicable by subsidiaries together with updated lists of the authorised signatories and banks of Hermès International;
- ◆ approved the new system of market abuse prevention within the Group, in particular the Code of Market Ethics and the new list of Permanent Insiders which includes the members of the Supervisory Board;
- ◆ noted the responsibility inherent to inside information;

- ◆ conducted the annual review of anticorruption procedures within the Group;
- ◆ renewed (overall limit given to Management in favour of subsidiaries) or authorised (special authorisations) the sureties, endorsements or guarantees granted by Hermès International;
- ◆ conducted the first annual review of all sureties, endorsements and guarantees still in force;
- ◆ approved the updated rules of procedure of the Supervisory Board and the Audit Committee;
- ◆ approved the renewal of the Hermès Corporate Foundation;
- ◆ drew up responses where applicable to the opinion of the works council on the Company's strategic orientations;
- ◆ approved the updated Code of Market Ethics.

Governance – Appointments – Compensation

In 2017 the Supervisory Board:

- ◆ reviewed and/or approved the reports and work of the CAG Committee described on pages 151 and 152;
- ◆ set the minimum number of Hermès International shares (1,000) that Executive Chairmen must hold pursuant to Article 22 of the November 2016 AFEP-MEDEF Code;
- ◆ set the allocation and payment of compensation and directors' fees for 2016 to Board and Committee members;
- ◆ decided on a new method of distributing directors' fees and compensation to the members of the Supervisory Board for 2017;
- ◆ 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";
- ◆ reappointed the Chairman of the Supervisory Board and decided on the composition of the Audit Committee and CAG Committee after the General Meeting;
- ◆ set out the training programme to be followed from 2017 to 2019 by the Employee Representative on the Supervisory Board;
- ◆ acquainted itself with new obligations arising from law 2017-399 of 27 March 2017 on the duty of care of parent companies and contractors.

At each meeting the CAG Committee informed the Supervisory Board of current events relating to governance (e.g. AMF reports, AFEP-MEDEF reports, HCGE implementation guides, IFA studies).

Corporate Social Responsibility – CSR

A presentation of CSR challenges has regularly been made to the Board since 2015.

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 2017 the Board:

- ◆ attended a presentation on the strategy of La Montre Hermès;
- ◆ attended a presentation on the Company's property strategy;
- ◆ visited JL & Co in Northampton where it was given a presentation of the subsidiary's business and results and made a factory inspection.

3.1.3.10 Assessment of the Supervisory Board

Given the progress made by the Company in recent years in terms of governance, the Supervisory Board decided in 2011 to carry out a questionnaire-based self-assessment only once every three years while maintaining an annual discussion on the workings of the Board to be included in the Board meeting agenda.

To avoid making the CAG Committee's three-year self-assessment process repetitive and tedious, it was decided in 2016 to change it by giving the full questionnaire to new Board members and an abridged version to existing Board members.

An anonymous and overall presentation of the analysis of the responses to questionnaires is given by the Chairman of the RNG Committee to the Supervisory Board.

The conditions, detailed procedures and areas for improvement identified during the last formal three-year self-assessment in 2016 are described in the 2016 registration document (pages 118 and 119). During this formal assessment the Supervisory Board deemed its workings to be very satisfactory overall.

The CAG Committee considered it undesirable to call on an outside firm to conduct a formal assessment of the Board for the following reasons:

- ◆ privacy concerns raised by giving information on the Board to a third party;
- ◆ the relative absence of weak signals raised in response to previous assessments;
- ◆ progress in terms of governance over the last six years;
- ◆ the relatively low value added expected from an outside firm.

At the end of 2017 the CAG Committee reviewed the workings of the Supervisory Board at one of its meetings and examined the areas of improvement identified by the Board in 2016.

All areas of improvements – which mainly consisted of refining the text for the "Corporate Governance" section of the registration document to include the latest recommendations in matters of governance – were implemented (see table below).

Areas of improvement implemented in 2017 and early 2018

Text justifying improvement

The expectations of Board members (international dimension of the Group and nationality) on the composition of the Board must be taken into account when new members are next appointed.

- ♦ Appointment in 2017 of new Board members including one of dual French-Portuguese nationality.

Formal 2016 evaluation of the Board

Reflect on the conditions governing the distribution of directors' fees.

- ♦ Amounts revalued by the Supervisory Board at its meeting of 6 June 2017.

Formal 2016 evaluation of the Board

The quantitative and qualitative criteria informing the assessment of the material nature of business relationships maintained by Board members must be described clearly and precisely.

- ♦ These items are addressed in this registration document (see page 144).

*Recommendation 8.5.3 of the AFEP-MEDEF Code
AMF letter dated 11 July 2017*

The diversity policy applied to Board members with regard to criteria such as age, gender or qualifications and professional experience as well as the objectives of this policy, the terms of its implementation and the results obtained should be described.

- ♦ These items are addressed in this registration document (see page 140).

*Decree 2017-1265 of 9 August 2017
AMF letter dated 11 July 2017*

The report of the Chairman of the Board on corporate governance and internal control should be replaced with a report on corporate governance prepared by the Board itself.

- ♦ The corporate governance report is on page 117. Information on internal control and risk management procedures included in the Chairman's report is now restricted to the preparation and processing of accounting and financial information and is included in the management report (page 45). The same goes for information on financial risks related to the effects of climate change.

Order 2017-1162 of 12 July 2017

Information on ethics should be expanded to include:

- a dedicated ethics/compliance facet;
- an ethical alert line;
- an internal audit plan dedicated to ethics/compliance.

- ♦ These items are addressed in this registration document (see page 176).

2017 EY Labrador rating

3.1.3.11 Specialised committees

Two specialised committees were created in 2005:

- ◆ the Audit Committee on 26 January 2005;
- ◆ the Compensation Committee on 26 January 2005, subsequently assigned new duties and responsibilities and renamed the Compensation and Appointments Committee on 18 March 2009 and then the Compensation, Appointments and Governance (CAG) Committee on 20 January 2010.

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.

	Date	Departures	Appointments	Renewals
Audit Committee	06/06/2017			Monique Cohen Charles-Éric Bauer Sharon MacBeath Renaud Momméja Robert Peugeot
CAG Committee	06/06/2017		Sharon MacBeath	Dominique Senequier Matthieu Dumas Robert Peugeot

Composition and workings of the CAG Committee at 31 December 2017

The CAG Committee comprises the following members:

- ◆ Dominique Senequier, Chairwoman;
- ◆ Matthieu Dumas, member;
- ◆ Sharon MacBeath, member;
- ◆ Robert Peugeot, member.

The composition rules, duties and operating provisions of the CAG Committee are described in detail in the rules of procedure approved by the Supervisory Board and have existed since 24 March 2010.

The sixth version of the rules of procedure dated 20 March 2018 is provided on page 172 and each update is made available online at

Table of changes in the composition of the Committees over the year

At its meeting of 6 June 2017 the Supervisory Board:

- ◆ reappointed Monique Cohen (Chairwoman), Charles-Éric Bauer, Sharon MacBeath, Renaud Momméja and Robert Peugeot to the Audit Committee;
- ◆ reappointed Dominique Senequier (Chairwoman), Matthieu Dumas and Robert Peugeot to the CAG Committee;
- ◆ appointed Sharon MacBeath to the CAG Committee.

<http://finance.hermes.com/en/Corporate-Governance/Management-Bodies/The-Specialized-Committees-of-the-Supervisory-Board>.

The CAG Committee's rules of procedure were updated on 20 March 2018 as follows:

- ◆ a new and clearer format was adopted;
- ◆ a new governance duty was added, namely to ensure the existence of a succession plan for the Chairman of the Supervisory Board.

The Chairman of the Supervisory Board can be invited to certain CAG Committee meetings in order to provide their opinion in matters of appointments or governance, which was not the case in 2017.

The Executive Chairmen are only invited for that part of the meetings relating to the compensation of Executive Committee members (excluding the Executive Chairmen).

Summary presentation of the members of the CAG Committee

Name	Independent	Date of appointment	Term of office on the Board	Length of service on the Committee
Dominique Senequier (Chairwoman)	√	04/06/2013	2019 GM	5 years
Matthieu Dumas		03/06/2008	2018 GM	10 years
Sharon MacBeath	√	06/06/2017	2019 GM	1 year
Robert Peugeot	√	03/06/2008	2018 GM	10 years

Duties and work of the CAG Committee in 2017

In 2017 the CAG Committee met six times (as opposed to five times in 2016).

Individual and average rates of attendance are indicated in the table on page 144.

Duties of the CAG Committee

The Compensation, Appointments and Governance Committee studies and prepares certain proceedings of the Supervisory Board and submits its opinions, proposals and recommendations to the Board. Without prejudice to the powers of the Supervisory Board, which it does not replace, the duties of the CAG Committee are to:

With respect to compensation

- ♦ be consulted and draw up recommendations from the Supervisory Board to Executive Management on the terms governing the compensation paid to Executive Committee members;
- ♦ be consulted and draw up recommendations from the Board to 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, particularly on the basis of attendance 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 Executive Chairmen;
- ♦ ascertain that the compensation of the Executive Chairmen complies 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.

Work of the CAG Committee in 2017

In 2017, as in the previous year, the CAG Committee used a dashboard to plan and prepare its work in a balanced way over the year. In 2017 the CAG Committee was required to examine and/or make recommendations on many subjects and in particular to:

With respect to compensation

- ♦ review the chapters of the 2016 registration document on corporate governance and compensation of senior executives (management report) and the description of the proposed resolutions relative to the advisory opinion ("Say on Pay") regarding the compensation of senior executives;
 - ♦ propose the distribution of directors' fees and compensation payable to Board and Committee members for 2016;
 - ♦ present company policy regarding gender equality and equal pay for equal work;
 - ♦ review compensation for 2017 of the Hermès International Executive Chairmen and the press release to be put up on the financial website;
 - ♦ review compensation for 2017, bonuses paid for 2016 and bonuses to be paid for 2017 to Executive Committee members;
 - ♦ confirm compensation for 2017, bonuses paid for 2016 and bonuses to be paid in 2017 to the Corporate Officers of French subsidiaries;
 - ♦ review the performance in 2016 and the impact on the number of free shares awarded to beneficiaries subject to performance conditions under the 2016 selective free share plan;
 - ♦ ratify new principles governing the distribution of directors' fees.
- The CAG Committee reviewed current events in matters of compensation: law 2016-1691 on transparency and anticorruption, known as the loi Sapin II (with provisions relating to Say on Pay);
- ♦ accuracy article: Comment rémunérer les dirigeants pour le long terme ?
 - ♦ LES ECHOS article: Salaires des patrons: ce que veulent les grands gérants (2 February 2017) ;
 - ♦ IFA document: Guide for Remuneration Committees (May 2017);
 - ♦ AFEP-MEDEF study on Hermès International's application of the code with regard to compensation;
 - ♦ AFEP study on the performance criteria of compensation to senior executives (June 2017);
 - ♦ AFEP summary of studies on Say on Pay and the reappointment of Executive Corporate Officers to Boards of Directors (July 2017);
 - ♦ 2017 "Governance in action" study of CAC 40 companies;
 - ♦ AMF Recommendation "General Meetings of Listed Companies" (24 October 2017).

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 advisability of 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 (new mission since 20/03/2018).

With respect to corporate governance

- ◆ recommend revisions to corporate governance rules as needed;
- ◆ periodically ascertain 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;
- ◆ as certain 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 appointments

- ◆ assess changes in the composition of the Board and examine the candidatures of members of the Supervisory Board;
- ◆ set diversity targets in the composition of the Board.

The CAG Committee reviewed the literature on appointments:

- ◆ IFA document: Succession du dirigeant: Quel rôle pour le conseil d'administration et le comité des nominations? (January 2017).

With respect to corporate governance

- ◆ examine the individual situation of Supervisory Board members (independence, conflicts of interest, plurality of offices, number of shares) and Committee members (specific skills with regard to finance or accounting);
- ◆ update and circulate Supervisory Board documents (master file, rules of procedure, 2017 calendar of blackout periods);
- ◆ review the report from the Chairman of the Supervisory Board on corporate governance principles applied by the Company disclosing the composition of the Board and the application of the principle of gender parity on the Board, the conditions for the preparation and organisation of the Board's work and the internal control and risk management procedures set up by the Company;
- ◆ point out the role of the CAG Committee in respect of regulated agreements;
- ◆ verify the compliance of the procedure followed to approve regulated agreements and the absence of calls to tender;
- ◆ update the comparative study conducted in 2015 on the material nature of business relationships;
- ◆ take note of a letter from the AMF dated 19 July 2017 relating to the criteria used to assess the different relationships presented in the corporate Governance report;
- ◆ take note of the first prize in the AGEFI Corporate Governance Grand Prix in the "Governance Dynamics" category awarded to Hermès International;
- ◆ conduct an annual review of the Executive Management succession plan (in the presence of CAG Committee members only);
- ◆ work on the succession plan for the Chairman of the Supervisory Board (in 2018 only);
- ◆ propose amendments to the rules of procedure of the Audit Committee (to include a description of the procedure implemented by the Audit Committee taking into account the requirements of the H3C);
- ◆ conduct an informal annual assessment of the work of the Board (areas of improvement identified at the end of 2016, state of play at the end of 2017, changes in governing texts to be monitored);
- ◆ specify the relationship with RDAI;
- ◆ conduct a self-assessment of its work (areas for improvement).

The CAG Committee reviewed the literature on governance:

- ◆ Palmarès 2016 de la Féminisation des Instances Dirigeantes des Grandes Entreprises (SBF 120);
- ◆ AMF – 2016 report on corporate governance and executive compensation of listed companies (updated 17 November 2016);
- ◆ AMF report on social societal and environmental responsibility (November 2016);
- ◆ AFEP-MEDEF Corporate Governance Code revised in November 2016;
- ◆ Guide for the application of the AFEP-MEDEF Corporate Governance Code for listed companies of November 2016, published by the HCGE (Corporate Governance High Committee);
- ◆ AFG Recommendations on Corporate Governance (January 2017);

- ♦ IFA: RSE & durabilité du projet d'entreprise, mission stratégique du Conseil (new IFA recommendations) (January 2017);
- ♦ AMF: Rapport du groupe de travail de la commission consultative épargnants (January 2017);
- ♦ IFA: Le conseil d'administration et le reporting intégré (June 2017) ;
- ♦ AFEP-MEDEF study on Hermès International's application of the code (governance);
- ♦ AFEP study on directors' fees (July 2017);
- ♦ 2017 AFEP-MEDEF HCGE annual report on Hermès International's practices (analysis and follow-up);
- ♦ France Board Index 2017 – SpencerStuart;
- ♦ 2017 EY LABRADOR governance overview: Hermès International's rating;
- ♦ AMF Recommendation on the AGMs of listed companies (24 October 2017).

In early 2018 the CAG Committee conducted a self-assessment of its work and workings and deemed them very satisfactory overall.

Composition and workings of the Audit Committee at 31 December 2017

The Audit Committee comprises the following members:

- ♦ Monique Cohen, Chairwoman;
- ♦ Charles-Éric Bauer, member;
- ♦ Sharon MacBeath, member;
- ♦ Renaud Momméja, member;
- ♦ Robert Peugeot, member.

The composition rules, duties and operating provisions of the Audit Committee are described in detail in the rules of procedure approved by the Supervisory Board and have existed since 24 March 2010.

The third version of the rules of procedure dated 17 November 2017 is provided on page 174 and each update is made available online at <http://finance.hermes.com/en/Corporate-Governance/Management-Bodies/The-Specialized-Committees-of-the-Supervisory-Board>.

The Audit Committee's rules of procedure were updated on 17 November 2017 as follows:

- ♦ the new approval procedure for services other than certification of financial statements (Article 2.2) was amended to include a description of the procedure implemented by the Audit Committee taking into account the requirements of the H3C;
- ♦ a new and clearer format was adopted.

These rules provide that at least half of the members of the Audit 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. This is currently the case.

Before each Audit Committee meeting, Audit 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.

In 2017 the Audit Committee met six times (as in 2016).

Individual and average rates of attendance are indicated in the table on page 144.

Summary presentation of the members of the Audit Committee

Name	Independent	Specific expertise in finance or accounting	Date of appointment	Term of office on the Board	Length of service on the Committee
Monique Cohen (Chairwoman)	√	√	03/06/2014	2020 GM	4 years
Charles-Éric Bauer		√	26/01/2005	2019 GM	13 years ¹
Sharon MacBeath	√	√	31/05/2016	2019 GM	2 years
Renaud Momméja		√	03/06/2008	2020 GM	10 years
Robert Peugeot	√	√	03/06/2008	2018 GM	10 years

(1) Charles-Éric Bauer was appointed to the Audit Committee before joining the Supervisory Board (before Ordinance 2008-1278 of 8 December 2008 there was no law requiring Board membership).

Duties and work of the Audit Committee in 2017

Duties of the Audit Committee

The Audit 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 Board, which it does not replace, the duties of the Audit Committee are to:

1. With regard to preparing accounting and financial information:
 - ♦ review and comment on the individual and consolidated financial statements before they are approved by Executive Management and presented to the Board;
 - ♦ ascertain that the accounting methods applied are relevant and consistent;
 - ♦ verify that internal data collection and control procedures guarantee the quality of the information provided;
 - ♦ review the work programme and results of internal and external audit assignments;
 - ♦ monitor the process of preparing financial information and, where appropriate, make recommendations to ensure its integrity;
 - ♦ monitor the effectiveness of internal control and risk management systems and internal audits regarding the procedures for preparing and processing accounting and financial information without jeopardising its independence.
2. With regard to auditing accounting and financial information and the Statutory Auditors:
 - ♦ make a recommendation to the Board, prepared in accordance with Article 16 of Regulation (EU) no. 537/2014, on the (re)appointment of the Statutory Auditors put to the General Meeting;
 - ♦ monitor the Statutory Auditors' performance of their duties in light of the High Commission on Statutory Audit's remarks and conclusions following audits conducted in accordance with Articles L. 821-9 et seq. of the French Commercial Code;
 - ♦ ensure the Statutory Auditors' compliance with the independence requirements set out in Articles L. 821-9 et seq. of the French Commercial Code, take the necessary measures to apply Article 4 par. 3 of Regulation (EU) no. 537/2014 cited above, and ensure compliance with the conditions mentioned in Article 6 of said Regulation;
 - ♦ approve on a case-by-case basis the provision of the services mentioned in Article L. 822-11-2 of the French Commercial Code in accordance with the following rules:
 - the following services need not be approved beforehand:
 - audit of Group reporting by subsidiaries,
 - audit of local financial statements of subsidiaries,
 - mandatory services (such as equity transactions),
 - individual services worth less than €100,000 up to a combined ceiling of €800,000 a year are delegated to the Group finance department,
 - the approval of the Audit Committee is required for services beyond the above thresholds,
 - the Statutory Auditors must disclose all fees for the financial year to the Audit Committee, including those relating to services provided within the context of the procedure;
 - ♦ report on the results of the engagement regarding the certification of the financial statements, on the way the engagement contributed to the integrity of financial reporting and the role it has played in this process.
3. Other duties:
 - ♦ report regularly to the Board on the performance of its duties;
 - ♦ promptly inform the Board of any difficulties encountered;
 - ♦ carry out special tasks assigned to it by the Board.

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

Work of the Audit Committee in 2017

In 2017 the Audit Committee reviewed the following matters:

- ♦ presentation of the 2017 budget;
- ♦ presentation of the new system for preventing market abuse within the Group;
- ♦ prior approval by the Audit Committee of services other than the certification of financial statements provided by the Statutory Auditors;
- ♦ feedback on incidents in 2016;
- ♦ presentation of the internal control and risk management system;
- ♦ review of activities related to risk management, audit and internal control in 2016;
- ♦ proposed audit plan for 2017;
- ♦ individual and consolidated financial statements for the year ended 31 December 2016;
- ♦ update on tax issues;
- ♦ three-year plan main messages and financial data;
- ♦ hedging strategy and handling of foreign exchange positions;
- ♦ sustainable development strategy;
- ♦ update of the rules of procedure of the Audit Committee;
- ♦ presentation of the consensus of financial analysts;
- ♦ review of the press releases on 2016 revenue, 2016 results and interim 2017 results;
- ♦ Statutory Auditors' report on the consolidated financial statements;
- ♦ in camera meeting with the Statutory Auditors;
- ♦ risk mapping;
- ♦ challenges facing the Leather Goods and Saddlery purchasing department;
- ♦ IT security - monitoring of IT risk mapping action plans.

As part of its mission, the Audit Committee heard from the Group Finance Director, both with regard to the accounting data and the treasury data, the Consolidation Director, the Audit and Risk Director, and the Statutory Auditors.

The work and workings of the Audit Committee were assessed in 2016 as part of the three-year formal self-assessment of the Supervisory Board and were deemed very satisfactory overall.

3.1.4 COMPENSATION AND BENEFITS PAID TO CORPORATE OFFICERS

Principles and rules for determining compensation and benefits in kind granted to Corporate Officers

Article L. 226-10-1 of the French Commercial Code amended by Order No. 2017-1162 of 12 July 2017 requires SCAs to disclose the principles and rules adopted to determine the compensation and benefits in kind granted to Corporate Officers, something the Company had already done on a voluntary basis for several years.

The tables cited and presented on pages 157 to 162 are numbered in reference to AMF Recommendation No. 2009-2016 amended on 13 April 2015 on the disclosure of information on the compensation of Corporate Officers in registration documents, except tables 11 and 12 which are numbered by the Company.

The Executive Chairmen, the Active Partner and the members of the Supervisory Board are shareholders and in this regard received an ordinary dividend of €3.75 in 2017.

3.1.4.1 The Executive Chairmen

Principles and criteria for determining, allocating and distributing the compensation of Executive Chairmen

The provisions of law no. 2016-1691 on transparency, anti-corruption and modernisation of the economy, of 9 December 2016 (the "Sapin II law"), including Articles L. 225-37-2 and L. 225-82-2 of the French Commercial Code, concerning the approval at the General Meeting of Shareholders of the principles and criteria for determining, distribution and allocation of fixed, variable and exceptional portions of compensation for Executive Corporate Officers ("ex-ante" vote), and subsequent approval of the amounts of compensation paid or allocated under these principles ("ex-post" vote) to executive and non-Executive Corporate Officers, do not apply to sociétés en commandite par actions (partnerships limited by shares) under Article L. 226-1 of the same Code which explicitly rules them out.

The Company will continue to comply with the recommendations of the November 2016 AFEP-MEDEF Corporate Governance Code by asking the General Meeting vote *ex post* on the compensation of its Executive Chairmen (see statement of reasons page 329).

Elements of compensation

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 330 to 333.

It covers the following elements:

- ◆ gross annual fixed compensation (referred to as "fixed" in the Articles of Association);
- ◆ gross annual variable compensation (referred to as "statutory" in the Articles of Association);
- ◆ deferred variable compensation;
- ◆ multiyear variable compensation;
- ◆ exceptional compensation;
- ◆ stock options, performance-based shares or any other element of long-term compensation;

- ◆ compensation for taking office;
- ◆ severance payment;
- ◆ noncompetition payment;
- ◆ supplementary pension plan;
- ◆ directors' fees;
- ◆ valuation of benefits in kind.

All compensation elements that are potential or acquired by Executive Chairmen are made public immediately after the meeting of the Executive Management Board that decided them by a press release published on the Company's financial website <http://finance.hermes.com>.

The table below summarises the press releases relative to the elements of compensation of Executive Chairmen published over the last two financial years:

Date of publication	Releases
2017	
24 March 2017	Potential or actual elements of Executive Chairman compensation
2016	
25 March 2016	Potential or actual elements of Executive Chairman compensation

In accordance with Article 17 of the Articles of Association, Executive Chairmen are entitled to a fixed compensation (referred to as "additional" in the Articles of Association) and, potentially, variable compensation (referred to as "statutory" in the Articles of Association) whose maximum amount is determined by the Ordinary General Meeting with the unanimous approval of the Active Partners. Within these ceilings, the Active Partner decides on the effective compensation of each of the Executive Chairmen each year. It uses the recommendations of the CAG Committee and 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:

1. fixed compensation (referred to as "additional compensation" in the Articles of Association) was approved by the Ordinary General Meeting of 31 May 2001 and limited at €457,347.05 at that time. This ceiling, which can only be adjusted upwards, is indexed each year to the growth in the consolidated revenue for the previous financial year at constant scope and exchange rates and on the same scope of consolidation, by comparison with revenue for the before to last financial year. 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" (i.e. invariable) by analogy with market practices (thus in addition to variable compensation);
2. the calculation of the variable (statutory) compensation set by Article 17 of the Articles of Association has remained constant since the IPO on 3 June 1993. It is capped at 0.20% of the Group's consolidated income before tax in the previous financial year. This mode of determination naturally leads to a strict variability of the statutory compensation of Executive Chairmen, transparently and without any guarantee of a minimum amount. For the sake of clarity the statutory compensation of Executive Chairmen is called "variable compensation" by analogy with market practices.

Changes to the two components of the compensation of Executive Chairmen depend upon objective and comprehensible quantitative criteria that have not changed for many years and which are public and predefined by nature, as described in paragraphs 1 and 2 on page 155. 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 are 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 Executive Management wished the principle of variability contained in the aforementioned provisions of the Articles of Association to be applied strictly to the compensation of the natural person serving as Executive Chairman.

As such, in accordance with these principles, it was decided to modify the compensation of Axel Dumas in 2017 by strictly applying the variation observed between 2015 and 2016 on the two objective quantitative criteria used as a reference for managerial compensation for many years (article 17 of the Articles of Association), namely consolidated pre-tax profit and consolidated revenue.

As regards the remuneration of Émile Hermès SARL, the legal entity serving as Executive Chairman, the Executive Management Board has decided to limit its compensation to the amounts indicated.

A breakdown of effective compensation paid to the Executive Chairmen set by the Executive Management Board of Émile Hermès SARL for the last two financial years is provided in table 2 on page 158. Each year, the Compensation, Appointments and Governance Committee of the Supervisory Board of Hermès International is responsible for ascertaining that compensation paid to the Executive Chairmen complies with the provisions of the Articles of Association and the decisions made by the Active Partner.

In order to comply with the AFEP-MEDEF Corporate Governance Code, Axel Dumas decided on 5 June 2013 to end his employment contract when he was appointed Executive Chairman of Hermès International.

Service agreements

No Executive Chairman directly or indirectly invoices services to the Company.

Under a services 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 secretarial 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 regulated agreements, as indicated in the special report from the Statutory Auditors on pages 341 to 344.

Directors' fees in the Company and in the subsidiaries of the Group

The Executive Chairmen do not receive any directors' fees paid by the Company or by the subsidiaries of the Group.

Note that the rules for the distribution of directors' fees within the Group specify that the members of the Executive Committee of Hermès International who are Directors in subsidiaries do not receive directors' fees in this regard.

3.1.4.2 The Active Partner

Under the terms of Article 26 of the Articles of Association the Company pays an amount equal to 0.67% of distributable profits to the Active Partner which was as follows for the last two financial years:

	2017	2016
Émile Hermès SARL	€5,214,348.05	€7,311,168.66

3.1.4.3 The Supervisory Board, Audit Committee and Compensation, Appointments and Governance Committee

Directors' fees and compensation

Supervisory Board members receive directors' fees and compensation in a total amount that is approved by the shareholders at the General Meeting and that is apportioned by the Supervisory Board.

Compensation paid to members of the Audit Committee and of the Compensation, Appointments and Governance Committee is deducted from the total amount of directors' fees.

The General Meeting of 6 June 2017 raised the total amount of directors' fees and compensation for the Supervisory Board to €600 k to take into account the appointment of new members of the Board.

The previous distribution rules dating from 2010 and the increase in the average annual number of meetings to seven in recent years justify, according to the CAG Committee, increasing the maximum individual amount paid to the members of the Supervisory Board.

On the proposal of the CAG Committee, the Supervisory Board at its meeting of 7 July 2017 decided to modify the terms governing the distribution of directors' fees so as to:

- ◆ take into account market practices (€58,000 in attendance fees of average for the SBF 120);
- ◆ make allowance for days devoted to site visits;
- ◆ make allowance for new responsibilities;
- ◆ acknowledge the work of the Board and Committee chairs;
- ◆ reflect the results obtained over the last 10 years.

The following changes were made:

- ◆ the annual fixed amount of directors' fees and compensation paid to the Chairman of the Board was increased from €100,000 to €140,000;
- ◆ the annual fixed amount of directors' fees and compensation paid to the chairs of the Audit and CAG Committees was increased from €20,000 to €28,000;
- ◆ the annual fixed amount of directors' fees paid to members and the deputy chairs of the Board was increased from €8,000 to 10,000;

- ◆ the annual variable component proportional to attendance paid to members and the deputy chairs of the Board was increased from €14,000 to €18,000;
- ◆ the annual fixed amount of directors' fees paid to members of the Audit and CAG Committees was increased from €4,000 to €5,200;
- ◆ the annual variable component of directors' fees proportional to attendance paid to members of the Audit and CAG Committees was increased from €6,000 to €7,800.

Together the changes amount to a maximum increase in total annual directors' fees as follows:

- ◆ €40,000 for the Chairman of the Board;
- ◆ €8,000 for the Committee chairs;
- ◆ €6,200 for Board members;
- ◆ €3,000 for Committee members.

The new principles governing the distribution of directors' fees are set out in the Supervisory Board's rules of procedure (page 171). They include a fixed component (35.47% for the Board and 40% for the Committees) and a variable component (64.53% for the Board and 60% for the Committees) proportional to attendance at meetings.

In keeping with these principles the Supervisory Board at its meeting of 26 January 2018 distributed €557,300 out of the €600,000 allocated to directors' fees and compensation by the General Meeting.

Table three on pages 158 to 160 details the directors' fees and other compensation paid to 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.

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.

Frederic Afriat, the Employee Representative on the Supervisory Board, has a work contract with the Hermès Group (chief accountant of Comptoir Nouveau de la Parfumerie, Hermès Parfums) and as such receives a salary unrelated to his position on the Board. Consequently, and for reasons of confidentiality, his salary is not disclosed.

Stock subscription and purchase options

No stock options were granted to Supervisory Board members in 2017 nor were any such options exercised by them.

Allocation of free shares

No free shares were granted to members of the Supervisory Board in 2017.

3.1.4.4 Tabular information on the compensation of Corporate Officers for disclosure in registration documents in accordance with AMF Recommendation 2009-16 amended on 13 April 2015

TABLE 1

Table summarising compensation and options and shares allocated to each Executive Chairman	2017	2016
Axel Dumas	From 1 January to 31 December 2017	From 1 January to 31 December 2016
Compensation due for the financial year (detailed in Table 2)	€2,774,656	€2,555,753
Valuation of options granted during the financial year (detailed in Table 4)	n/a	n/a
Valuation of multi-year variable compensation assigned during the financial year	n/a	n/a
Valuation of performance shares granted during the financial year (detailed in Table 6)	n/a	n/a
TOTAL	€2,774,656	€2,555,753
Total natural persons as Executive Chairmen	€2,774,656	€2,555,753
Émile Hermès SARL	From 1 January to 31 December 2017	From 1 January to 31 December 2016
Compensation due for the financial year (detailed in Table 2)	€1,256,409	€1,256,409
Valuation of options granted during the financial year (detailed in Table 4)	n/a	n/a
Valuation of multi-year variable compensation assigned during the financial year	n/a	n/a
Value of performance-based shares granted during the financial year (detailed in table 6)	n/a	n/a
TOTAL	€1,256,409	€1,256,409
Total legal entities as Executive Chairmen	€1,256,409	€1,256,409

n/a: not applicable.

TABLE 2

Gross annual compensation of Executive Chairmen	2017			2016		
	Limits granted by the Articles of Association or the General Meeting	Amounts due (or allocated) by the Executive Management Board 1	Amounts paid	Limits granted by the Articles of Association or the General Meeting	Amounts due (or allocated) by the Executive Management Board	Amounts paid
Axel Dumas	Decision of the Executive Management Board dated 20 March 2017			Decision of the Executive Management Board dated 22 March 2016		
Fixed compensation ² (referred to as "additional" in the Articles of Association)	€2,178,417	€1,354,303	€1,354,303	€2,028,368	€1,260,991	€1,260,991
Of which fixed component	€2,028,368	€1,261,019	€1,261,019	€1,876,455	€1,166,550	€1,166,550
Of which part indexed on increase in revenue	€150,049	€93,284	€93,284	€151,913	€94,441	€94,441
Variable compensation ² (referred to as "statutory" in the Articles of Association)	€3,319,259	€1,420,353	€1,420,353	€3,025,636	€1,294,762	€1,294,762
Exceptional compensation	-	-	-	-	-	-
Total compensation	€5,497,676	€2,774,656	€2,774,656	€5,054,004	€2,555,753	€2,555,753
Directors' fees	n/a	n/a	n/a	n/a	n/a	n/a
Benefits in kind	n/a	n/a	representation	n/a	n/a	representation
Émile Hermès SARL	Decision of the Executive Management Board dated 20 March 2017			Decision of the Executive Management Board dated 22 March 2016		
Fixed compensation ² (referred to as "additional" in the Articles of Association)	€2,178,417	€500,000	€500,000	€2,028,368	€500,000	€500,000
Of which fixed component	€2,028,368	n/a	n/a	€1,876,455	€462,553	€462,553
Of which part indexed on increase in revenue	€150,049	n/a	n/a	€151,913	€37,447	€37,447
Variable compensation ² (referred to as "statutory" in the Articles of Association)	€3,319,259	€756,409	€756,409	€3,025,636	€756,409	€756,409
Exceptional compensation	-	-	-	-	-	-
Total compensation	€5,497,676	€1,256,409	€1,256,409	€5,054,004	€1,256,409	€1,256,409
Directors' fees	n/a	n/a	n/a	n/a	n/a	n/a
Benefits in kind	n/a	n/a	n/a	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 330 to 333.

(2) These amounts take into account the limits set on an individual and collective basis by the Articles of Association and the General Meeting.

TABLE 3

Directors' fees and other compensation received by members of the Supervisory Board in Hermès International Directors' fees received by non-Executive Corporate Officers in the companies controlled by Hermès International	Amounts paid in 2018 for 2017	Amounts paid in 2017 for 2016
Total amount of directors' fees and compensation allocated by the General Meeting of Hermès International	€600,000	€500,000
Total amount of directors' fees and compensation actually assigned by Hermès International	€557,300	€385,000
Éric de Seynes		
Compensation of the Chairman of the Supervisory Board	€140,000	€100,000
Directors' fees for Hermès International	n/a	n/a
♦ fixed component	-	-
♦ variable component based on attendance	-	-
Directors' fees for Hermès Sellier	€3,000	€3,000
Monique Cohen		
Compensation of the Chairwoman of the Audit Committee	€28,000	€20,000
Directors' fees for Hermès International	€28,200	€22,000
♦ fixed component	€10,000	€8,000
♦ variable component based on attendance	€18,200	€14,000

Directors' fees and other compensation received by members of the Supervisory Board in Hermès International Directors' fees received by non-Executive Corporate Officers in the companies controlled by Hermès International	Amounts paid in 2018 for 2017	Amounts paid in 2017 for 2016
Dominique Senequier		
Compensation of the Chairwoman of the Compensation, Appointments and Governance Committee	€28,000	€20,000
Directors' fees for Hermès International	€28,200	€22,000
♦ <i>fixed component</i>	€10,000	€8,000
♦ <i>variable component based on attendance</i>	€18,200	€14,000
Frédéric Afriat (employee representative)		
Directors' fees for Hermès International	n/a	n/a
Dorothee Altmayer (appointed on 6 June 2017)		
Directors' fees for Hermès International	€18,000	n/a
♦ <i>fixed component</i>	€5,000	n/a
♦ <i>variable component based on attendance</i>	€13,000	n/a
Directors' fees for Hermès Sellier	€3,000	n/a
Directors' fees Comptoir Nouveau de la Parfumerie	€3,000	n/a
Charles-Éric Bauer		
Compensation of the Audit Committee members	€13,000	€9,000
♦ <i>fixed component</i>	€5,200	€4,000
♦ <i>variable component based on attendance</i>	€7,800	€5,000
Directors' fees for Hermès International	€28,200	€20,000
♦ <i>fixed component</i>	€10,000	€8,000
♦ <i>variable component based on attendance</i>	€18,200	€12,000
Matthieu Dumas		
Compensation of the Compensation, Appointments and Governance Committee members	€13,000	€10,000
♦ <i>fixed component</i>	€5,200	€4,000
♦ <i>variable component based on attendance</i>	€7,800	€6,000
Directors' fees for Hermès International	€28,200	€22,000
♦ <i>fixed component</i>	€10,000	€8,000
♦ <i>variable component based on attendance</i>	€18,200	€14,000
Directors' fees Comptoir Nouveau de la Parfumerie	€3,000	€3,000
Blaise Guerrand		
Directors' fees for Hermès International	€28,200	€22,000
♦ <i>fixed component</i>	€10,000	€8,000
♦ <i>variable component based on attendance</i>	€18,200	€14,000
Directors' fees for Hermès Sellier	€3,000	€3,000
Julie Guerrand		
Directors' fees for Hermès International	€28,200	€20,000
♦ <i>fixed component</i>	€10,000	€8,000
♦ <i>variable component based on attendance</i>	€18,200	€12,000
Olympia Guerrand (appointed on 6 June 2017)		
Directors' fees for Hermès International	€18,000	n/a
♦ <i>fixed component</i>	€5,000	n/a
♦ <i>variable component based on attendance</i>	€13,000	n/a
Directors' fees for Hermès Sellier	€3,000	n/a

Directors' fees and other compensation received by members of the Supervisory Board in Hermès International Directors' fees received by non-Executive Corporate Officers in the companies controlled by Hermès International	Amounts paid in 2018 for 2017	Amounts paid in 2017 for 2016
Sharon MacBeath		
Compensation of the Audit Committee members	€11,700	€5,000
♦ fixed component	€5,200	€2,000
♦ variable component based on attendance	€6,500	€3,000
Compensation of the CAG Committee members (appointed on 6 June 2017)	€6,500	n/a
♦ fixed component	€2,600	n/a
♦ variable component based on attendance	€3,900	n/a
Directors' fees for Hermès International	€28,200	€14,000
♦ fixed component	€10,000	€4,000
♦ variable component based on attendance	€18,200	€10,000
Renaud Momméja		
Compensation of the Audit Committee members	€11,700	€10,000
♦ fixed component	€5,200	€4,000
♦ variable component based on attendance	€6,500	€6,000
Directors' fees for Hermès International	€25,600	€18,000
♦ fixed component	€10,000	€8,000
♦ variable component based on attendance	€15,600	€10,000
Directors' fees Comptoir Nouveau de la Parfumerie	€3,000	€3,000
Robert Peugeot		
Compensation of the Audit Committee members	€10,400	€8,000
♦ fixed component	€5,200	€4,000
♦ variable component based on attendance	€5,200	€4,000
Compensation of the Compensation, Appointments and Governance Committee members	€13,000	€10,000
♦ fixed component	€5,200	€4,000
♦ variable component based on attendance	€7,800	€6,000
Directors' fees for Hermès International	€23,000	€20,000
♦ fixed component	€10,000	€8,000
♦ variable component based on attendance	€13,000	€12,000

n/a: not applicable.

TABLE 4

Stock options allocated 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 allocated during the financial year	Exercise price	Exercise period
Axel Dumas	n/a	n/a	n/a	-	n/a	n/a
TOTAL	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
Axel Dumas	n/a	n/a	n/a
TOTAL	N/A	N/A	N/A

n/a: not applicable.

TABLE 6

Performance-based shares allocated to each Corporate Officer

Performance-based share distributions allocated 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 allocated during the financial year	Valuation of shares according to the method used for the consolidated financial statements	Acquisition date	Availability date	Performance conditions
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 share distributions made available to each Corporate Officer

Name of Corporate Officer	Number and date of plan	Number of shares acquired during the financial year	Conditions of acquisition
Axel Dumas	Plan "d" of 15/05/2012	20	n/a
TOTAL		20	N/A

n/a: not applicable, the shares having been awarded in his capacity as an employee before being appointed as Executive Chairman.

TABLE 8

History of allocation of stock subscription or purchase options Information on the stock subscription or purchase options

General Meeting of 25/05/1998 (6 th resolution)	Plans n° 1 to 4 expired
Meeting of 03/06/2003 (15 th resolution)	Plans n° 5 and 6 expired
Meeting of 06/06/2006 (9 th resolution)	Plan no. 7 expired
Meeting of 02/06/2009 (14 th resolution)	No plan put in place in 2009, 2010 or 2011
Meeting of 30/05/2011 (21 st resolution)	No plan implemented in 2011 or 2012
Meeting of 29/05/2012 (13 th resolution)	No plan implemented in 2012 or 2013
Meeting of 04/06/2013 (18 th resolution)	No plan implemented in 2013 or 2014
Meeting of 03/06/2014 (16 th resolution)	No plan implemented in 2014 or 2015
Meeting of 02/06/2015 (14 th resolution)	No plan implemented in 2015 or 2016
Meeting of 31/05/2016 (14 th resolution)	No plan implemented in 2016 or 2017

TABLE 9

Stock options granted to the first ten employees (not Corporate Officers) and exercised by them	Total number of shares allocated/ shares subscribed or purchased	Weighted average price	Plans n° 1 to 7
Options granted during the year by the issuer and any entity within the option allocation scope to the ten 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 said entities exercised during the year by the ten employees of the issuer and said entities for whom the number of options thus purchased is the highest (overall information)	n/a	n/a	

n/a: not applicable.

3

TABLE 10

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 noncompete clause
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 330 to 331.

(2) Since 05/06/2013.

TABLE 11

Details of free share allocation plans still in force on 1 January 2017

Date of authorisation by the Extraordinary General Meeting	02/06/2009 (15 th resolution)	02/06/2009 (15 th resolution)	30/05/2011 (29 th resolution)	30/05/2011 (29 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	31/05/2010 (plan b)	31/05/2010 (plan c)	15/05/2012 (plan d)	15/05/2012 (plan e)	31/05/2016 (plan f)	31/05/2016 (plan g.1)	01/03/2017 (plan g.2)
Total number of shares allocated	188,500 ³	229,860	515,280	302,000	452,960	353,100	1,400
Shares allocated to senior executives ¹	24,000	180	420	70,000	320	29,000	0
Number of senior executives ¹ concerned	6	6	7	7	8	8	0
Share related to capital of allocations of shares to senior executives	0.02%	n.m.	n.m.	0.06%	n.m.	0.028%	0.00%
French tax residents on the grant date:			3 tranches of 20 shares		2 tranches of 20 shares		
• vesting period	4 years	4 years	4/5/6 years	4 years	4/5 years	4 years	3 years and 3 months
• date of transfer of ownership of shares	01/06/2014	01/06/2014	16/05/2016 16/05/2017 16/05/2018	16/05/2016	01/06/2020 01/06/2021	01/06/2020	01/06/2020
• end of the holding period	02/06/2016	02/06/2016	17/05/2018 17/05/2019 17/05/2020	17/05/2018	n/a	n/a	n/a
Tax residents outside France on the grant date:			3 tranches of 20 shares		2 tranches of 20 shares		
• vesting period	6 years	6 years	6/7/8 years	6 years	4/5 years	4 years	3 years and 3 months
• date of transfer of ownership of shares	01/06/2016	01/06/2016	16/05/2018 16/05/2019 16/05/2020	16/05/2018	01/06/2020 01/06/2021	01/06/2020	01/06/2020
• end of the holding period	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Performance conditions	yes	no	no	yes	no	yes	yes
Number of shares acquired ² at 31/12/2017	175,500	187,200	193,560	221,500	160	400	0
Number of shares lost as at 31/12/2017	13,000	42,660	103,940	11,000	33,760	4,000	0

n.m.: not meaningful; n/a: not applicable.

(1) The following are considered senior executives: Executive Chairmen, members of the Supervisory Board and members of the Executive Committee of the issuer on the grant date.

(2) Including by early release in accordance with the regulations of the plan (death, invalidity).

(3) Maximum.

TABLE 12

Free shares awards granted to the first ten employees (not Corporate Officers)	Total number of shares allocated	Date of plans
Shares granted during the year to the ten employees of the issuer and any entity included in this scope for whom the number of shares thus granted is the highest (overall information)	1,400	01/03/2017 (plan g.2)

n/a: not applicable.

Tables 1–10 above are numbered in reference to AMF Recommendation 2009-16 amended on 13 April 2015 on the disclosure of information on the compensation of Corporate Officers in registration documents. Tables 11 and 12 are numbered by Hermès International.

3.1.5 RELATED-PARTY AGREEMENTS AND COMMITMENTS

Information on regulated agreements and commitments is presented in the report of the Supervisory Board to the General Meeting page 338.

3.1.6 SUMMARY TABLE OF THE USE OF FINANCIAL DELEGATIONS OF AUTHORITY

In accordance with Article L. 225-100 par 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: delegations that remain valid, delegations used during the 2017 financial year where applicable, and new delegations put to the General Meeting of 5 June 2018.

	Resolution number	Duration of the authorisation (expires)	Characteristics	Use in 2017
GENERAL MEETING OF 2 JUNE 2015				
In accordance with Article L. 233-32 of the French Commercial Code, the following delegations of authority granted under the 16 th (incorporation of reserves), 17 th (issue with preferential subscription rights), 18 th (issue with cancellation of subscription rights), 19 th (capital increase reserved for members of a company or group savings plan), 20 th (issue by private placement) and 21 st (issue in consideration for contributions in kind) resolutions may be implemented during a public offering.				
Capital increase by capitalisation of reserves, earnings and/or premiums and/or free allocation of shares and/or increase in the par value of existing shares	16 th	26 months (2 August 2017) ¹	The nominal amount of capital increases that may be carried out immediately and/or in the future under this delegation may not be greater than 40% of the share capital on the date of the General Meeting with any capital increases carried out in accordance with this delegation not offset against the ceiling common to the delegations granted under the 17 th , 18 th , 19 th , 20 th and 21 st resolutions.	None

(1) This authorisation was cancelled, for the remaining duration and for the unused fraction, by new delegations of the same nature authorised by the General Meeting of 6 June 2017.

	Resolution number	Duration of the authorisation (expires)	Characteristics		Use in 2017
Issues of shares and/or any securities giving access to capital with maintenance of preferential subscription rights	17 th	26 months (2 August 2017) ¹	The nominal amount of capital increases that may be carried out immediately and/or in future under this delegation may not exceed 40% of the share capital on the date of the General Meeting with any capital increases carried out in accordance with this delegation offset against the 40% ceiling common to the delegations granted in the 17 th , 18 th , 19 th , 20 th and 21 st resolutions. Discount fixed at 20% of the average of the prices quoted for the Company's share during the twenty trading days preceding the day of the decision setting the date of opening of subscriptions.	The nominal amount of debt securities that may be issued immediately and/or in future under this delegation may not be greater than one billion euros, this limit being common to the 17 th , 18 th , 20 th and 21 st resolutions.	None
Issue of shares and/or any other securities giving access to capital, with elimination of preferential subscription rights, but with the right to introduce a priority period through a public offer	18 th	26 months (2 August 2017) ¹	The nominal amount of capital increases that may be carried out immediately and/or in future under this delegation may not exceed 40% of the share capital on the date of the General Meeting with any capital increases carried out in accordance with this delegation offset against the 40% ceiling common to the delegations granted in the 17 th , 18 th , 19 th , 20 th and 21 st resolutions. Discount fixed at 20% of the average of the prices quoted for the Company's share during the twenty trading days preceding the day of the decision setting the date of opening of subscriptions.	The nominal amount of debt securities that may be issued immediately and/or in future under this delegation may not be greater than one billion euros, this limit being common to the 17 th , 18 th , 20 th and 21 st resolutions.	None
Capital increase without preferential subscription rights in favour of members of a savings plan	19 th	26 months (2 August 2017) ¹	The nominal amount of capital increases that may be carried out immediately and/or in future under the 19th resolution (capital increase reserved for members of a Company or Group savings plan) may not exceed 1% of the share capital, this limit being offset against the 40% ceiling common to the delegations granted under the 17 th , 18 th , 19 th , 20 th and 21 st resolutions. Discount fixed at 20% of the average of the prices quoted for the Company's share during the twenty trading days preceding the day of the decision setting the date of opening of subscriptions.		None

(1) This authorisation was cancelled, for the remaining duration and for the unused fraction, by new delegations of the same nature authorised by the General Meeting of 6 June 2017.

	Resolution number	Duration of the authorisation (expires)	Characteristics		Use in 2017
Issue of shares and/or any other securities giving access to capital without preferential rights by private placement covered by Article L. 411-2, II of the French Monetary and Financial Code.	20 th	26 months (2 August 2017) ¹	The nominal amount of capital increases that may be carried out immediately and/or in future under this delegation may not exceed 20% per year of the share capital on the date of the General Meeting with any capital increases carried out in accordance with this delegation offset against the 40% ceiling common to the delegations granted under the 17 th , 18 th , 19 th , 20 th and 21 st resolutions. Discount fixed at 20% of the average of the prices quoted for the Company's share during the twenty trading days preceding the day of the decision setting the date of opening of subscriptions.	The nominal amount of debt securities that may be issued immediately and/or in future under this delegation may not be greater than one billion euros, this limit being common to the 17 th , 18 th , 20 th and 21 st resolutions.	None
Issue of shares and/or securities giving access to capital, without preferential rights, in order to pay for contributions in kind granted to the Company relating to equity securities or securities giving access to capital.	21 st	26 months (2 August 2017) ¹	The nominal amount of capital increases that may be carried out immediately and/or in future under this delegation may not exceed 10% of the share capital on the date of the General Meeting with any capital increases carried out in accordance with this delegation offset against the 40% ceiling common to the delegations granted under the 17 th , 18 th , 19 th , 20 th and 21 st resolutions. Discount fixed at 20% of the average of the prices quoted for the Company's share during the twenty trading days preceding the day of the decision setting the date of opening of subscriptions.	The nominal amount of debt securities that may be issued immediately and/or in future under this delegation may not be greater than one billion euros, this limit being common to the 17 th , 18 th , 20 th and 21 st resolutions.	None

GENERAL MEETING OF 31 MAY 2016

In accordance with Article L. 233-32 of the French Commercial Code, the delegations of authority granted below under the 14th (purchase options) and 15th (free shares) resolutions may be implemented during a public offering.

Purchase of shares	12 th	18 months (30 November 2017) ¹	Ceiling of 10% of the share capital Maximum purchase price €500 Maximum funds committed €1,000 million		See pages 299 to 301
Cancellation of treasury shares (general cancellation programme)	13 th	24 months (31 May 2018) ¹	Limit of 10% of the capital		

(1) This authorisation was cancelled, for the remaining duration and for the unused fraction, by new delegations of the same nature authorised by the General Meeting of 6 June 2017.

	Resolution number	Duration of the authorisation (expires)	Characteristics	Use in 2017	
Granting stock options	14 th	38 months (31 July 2019)	The number of stock options granted under the 14 th resolution and the number of free shares granted under the 15 th resolution may not represent a number of shares greater than 2% of the total number of existing shares at the time of the grant without taking into account those already granted under previous authorisations.	<p>The purchase price of the shares shall be set by Executive Management within the limits and according to the procedures specified in Article L. 225-177 par 4 of the French Commercial Code and shall be at least equal to the average of the prices quoted on the regulated Euronext Paris market during the twenty trading days preceding the granting of the options without being less than 80% of the average purchase price of the shares held. In the event one or more Executive Chairmen are granted stock options:</p> <p>the Company must meet one or more of the conditions specified in Article L. 225-186-1 of the French Commercial Code;</p> <p>the stock options may not be exercised before the Executive Chairmen cease their duties unless a number of shares resulting from the exercise of options has been set which must be kept registered until the cessation of their duties;</p> <p>the exercise price of the options includes no discount;</p> <p>the options granted are subject to strict and demanding performance conditions to be met over several years and defined at the time of issuance;</p> <p>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 sublimit being offset against the 2% ceiling common to the delegations under the 14th and 15th resolutions.</p>	None

	Resolution number	Duration of the authorisation (expires)	Characteristics	Use in 2017	
Free allocations of the Company's existing ordinary shares	15 th	38 months (31 July 2019)	The number of stock options granted under the 14 th resolution and the number of free shares granted under the 15 th resolution may not represent a number of shares greater than 2% of the total number of existing shares at the time of the grants without taking into account those already granted under previous authorisations.	In the event one or more Executive Chairmen are granted free shares: <ul style="list-style-type: none"> ♦ the Company must fulfil one or more of the conditions specified in Article L. 225-197-6 of the French Commercial Code; ♦ the shares granted may not be sold before the Executive Chairmen cease their duties unless a number of these shares has been set which must be kept registered until the cessation of their duties; ♦ the free shares granted are subject to strict and demanding performance conditions to be met over several years and defined at the time of issuance; ♦ the maximum percentage of free shares that may be granted is 0.05%, this sublimit being offset against the 2% ceiling common to the delegations under the 14th and 15th resolutions. 	See page 181

GENERAL MEETING OF 6 JUNE 2017

In accordance with Article L. 233-32 of the French Commercial Code, the following delegations of authority granted under the 18th (incorporation of reserves), 19th (issue with preferential rights), 20th (issue without preferential rights), 21st (capital increase reserved for members of a company or group savings plan), 22nd (issue by private placement) and 23rd (issue in consideration for contributions in kind) resolutions may be implemented during a public offering.

Purchase of shares	6 th	18 months (6 December 2018) ²	Limit of 10% of the capital Maximum purchase price €600 Maximum funds committed €1,500 million	See pages 299 to 301	
Cancellation of treasury shares (general cancellation programme)	17 th	24 months (6 June 2019) ²	Limit of 10% of the capital	None	
Capital increase by capitalisation of reserves, earnings and/or premiums and/or free allocation of shares and/or increase in the par value of existing shares	18 th	26 months (6 August 2019)	The nominal amount of capital increases that may be carried out immediately and/or in future under this delegation may not exceed 40% of the share capital on the date of the General Meeting with any capital increases carried out in accordance with this delegation not offset against the ceiling common to the delegations granted under the 19 th , 20 th , 21 st , 22 nd and 23 rd resolutions.	None	
Issues of shares and/or any securities giving access to capital with preferential rights	19 th	26 months (6 August 2019)	The nominal amount of capital increases that may be carried out immediately and/or in future under this delegation may not exceed 40% of the share capital on the date of the General Meeting with any capital increases carried out in accordance with this delegation offset against the 40% ceiling common to the delegations granted under the 19 th , 20 th , 21 st , 22 nd and 23 rd resolutions.	The nominal amount of debt securities that may be issued immediately and/or in future under this delegation may not be greater than one billion euros, this limit being common to the 19 th , 20 th , 21 st , 22 nd and 23 rd resolutions.	None

(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 5 June 2018.

	Resolution number	Duration of the authorisation (expires)	Characteristics		Use in 2017
Issue of shares and/or any other securities giving access to capital without preferential rights but with the right to introduce a priority period through a public offer	20 th	26 months (6 August 2019)	The nominal amount of capital increases that may be carried out immediately and/or in future under this delegation may not exceed 40% of the share capital on the date of the General Meeting with any capital increases carried out in accordance with this delegation offset against the 40% ceiling common to the delegations granted under the 19 th , 20 th , 21 st , 22 nd and 23 rd resolutions.	The nominal amount of debt securities that may be issued immediately and/or in future under this delegation may not be greater than one billion euros, this limit being common to the 19 th , 20 th , 21 st , 22 nd and 23 rd resolutions.	None
Capital increase by way of the issue of shares and/or securities giving access to capital reserved for members of a company or group savings plan without preferential rights.	21 st	26 months (6 August 2019)	The nominal amount of capital increases that may be carried out under this resolution may not exceed 1% of the share capital on the date of the General Meeting, this ceiling being offset against the 40% ceiling common to the delegations granted under the 19 th , 20 th , 21 st , 22 nd and 23 rd resolutions. Discount fixed at 20% of the average of the prices quoted for the Company's share on the regulated Euronext Paris market during the twenty trading days preceding the day of the decision setting the date of opening of subscriptions. Possibility of substituting all or part of the discount by granting free shares giving access to the Company's share capital, to reduce or not agree to a discount, within the legal or regulatory limits.		None
Issue of shares and/or any other securities giving access to capital without preferential rights by private placement covered by Article L. 411-2, II of the French Monetary and Financial Code.	22 st	26 months (6 August 2019)	The nominal amount of capital increases that may be carried out immediately and/or in future under this delegation may not exceed the limit provided for by the regulations applicable on the day of the issue (20% of the capital per year at the date of the General Meeting) with the capital increases carried out in accordance with this delegation offset against the 40% ceiling common to the delegations granted under the 19 th , 20 th , 21 st , 22 nd and 23 rd resolutions.	The nominal amount of debt securities that may be issued immediately and/or in future under this delegation may not be greater than one billion euros, this limit being common to the 17 th , 18 th , 20 th and 21 st resolutions.	None
Issue of shares and/or securities giving access to capital without preferential rights in order to pay for contributions in kind granted to the Company relating to equity securities or securities giving access to capital.	23 rd	26 months (6 August 2019)	The nominal amount of capital increases that may be carried out immediately and/or in future under this delegation may not exceed 10% of the share capital on the date of the General Meeting with any capital increases carried out in accordance with this delegation offset against the 40% ceiling common to the delegations granted under the 19 th , 20 th , 21 st , 22 nd and 23 rd resolutions.	The nominal amount of debt securities that may be issued immediately and/or in future under this delegation may not be greater than one billion euros, this limit being common to the 19 th , 20 th , 21 st , 22 nd and 23 rd resolutions.	None

3.1.7 CAPITAL STRUCTURE AND FACTORS LIABLE TO AFFECT THE OUTCOME OF A PUBLIC OFFERING

Information on equity and shareholding is presented on page 294.

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 287);
- ♦ Hermès International may be converted into a *société anonyme* (public limited company) only 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 the 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 at all General Meetings except for decisions regarding the allocation of earnings in which case the usufructuary shall exercise the voting rights,
 - double voting rights are allocated to each registered share 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 this fact (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 309.

Lastly, the Executive Management has a grant of authority to carry out capital increases.

3.1.8 SPECIAL TERMS AND CONDITIONS FOR ATTENDING GENERAL MEETINGS

General Meetings are convened as provided for by law and Article 24 of the Articles of Association (see page 391).

Double voting rights are allocated under the conditions set out in Article 12 of the Articles of Association (see page 286).

In the event that a legal or internal threshold is crossed (Article L. 233-7 of the French Commercial Code and Article L. 433-3 et seq. of the French Monetary and Financial Code – Article 11 of the Articles of Association, see page 286) with regard to equity or voting rights, a declaration under the conditions set out above must be made accordingly, failing which the shareholder will be deprived of the right to vote at General Meetings.

3.1.9 APPENDICES

3.1.9.1 Rules of procedure of the Supervisory Board

In force since 18 March 2009 – Version n° 9 amended 26 January 2018

Purpose

These rules of procedure define the terms and conditions of the structure and workings 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 200 Hermès International registered shares during the year in which they are appointed. The directors' fees they receive 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

Independence criteria applicable to Board members are as follows:

- ♦ they may not be a partner or a 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 of November 2016.

1.1.2.2 Procedure for qualifying members as independent

The qualification of a Board member as independent is discussed each year by the Compensation, Appointments and Governance 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 to determine whether they qualify as an “independent director”.

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 requirements 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 notification

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 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 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;
- ◆ every year when the 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 lines of business and specificities, together with its aims 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 assessment. They agree to be assessed 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 Workings 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 Management 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 of 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 assessing 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 business lines, and in the areas of accounting, finance or corporate governance.

1.2.4 Board duty not covered by the Articles of Association

The Supervisory Board approves or rejects the acceptance of any new office in a listed company by an Executive Chairman.

1.3 Assessment of the Board by its members

The Board regularly conducts self-assessment of its performance, covering the various points of its mission and commitments. This self-assessment is carried out every three years using an evaluation matrix proposed by the Compensation, Appointments and Governance Committee. In interim years, a review of the Board's works 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 assessed and any applicable recommendations for improving performance are made.

2. Specialised committees of the 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;
- ◆ the Compensation Committee on 26 January 2005, subsequently assigned new duties and responsibilities and renamed the Compensation and Appointments Committee on 18 March 2009 and then the Compensation, Appointments and Governance (CAG) Committee on 20 January 2010.

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 and directors' fees

The principles for distributing directors' fees and other compensation adopted by the Board are as follows:

The principles for allotting directors' fees and other compensation adopted by the Board are as follows:

- ◆ a fixed 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 Chair 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 Chairs of the Audit and CAG Committees;
- ◆ a fixed component of €5,200 and a variable component based on attendance of €7,800 for other members of the Audit and CAG 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 receive no directors' fees;
- ◆ employee representatives on the Supervisory Board receive no directors' fees.

The fixed and variable components are determined by the Board at its first meeting of the year following the year for which compensation and directors' fees are 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 the policy applicable for the reimbursement of expenses that 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 Committee and of the Compensation, Appointments and Governance 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.

Appendix: Articles 18, 19 & 20 of the Articles of Association (see pages 289 to 290)

3.1.9.2 Rules of procedure of the Compensation, Appointments and Governance Committee

In force since 24 March 2010 – Version n° 6 amended 20 March 2018

Purpose

These rules of procedure define the composition, missions and methods of organisation and operation of the Compensation, Appointments and Governance 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 Compensation, Appointments and Governance 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 Compensation, Appointments and Governance Committee

1.1. Chairmanship – Number of members

The Chairman of the Compensation, Appointments and Governance 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 Compensation, Appointments and Governance 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 Compensation, Appointments and Governance Committee

The members of the Compensation, Appointments and Governance 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. Missions of the Compensation, Appointments and Governance Committee

The Compensation, Appointments and Governance Committee studies and prepares certain proceedings of the Supervisory Board and submits its opinions, proposals and recommendations to the Board.

Without prejudice to the powers of the Supervisory Board, which it does not replace, the duties of the Compensation, Appointments and Governance Committee are to:

With respect to compensation:

- ◆ be consulted and draw up recommendations from the Board to Executive Management on the terms governing the compensation paid to Executive Committee members;
- ◆ be consulted and draw up recommendations from the Board to 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, particularly on the basis of attendance of directors' fees and other compensation and benefits awarded to members of the Board and its Committees;
- ◆ review proposals for stock options and free share awards to senior executives to enable the 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 Board in determining the conditions and performance criteria to be applied to awarding stock options, 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;
- ◆ 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 advisability of 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 ascertain 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;
- ◆ 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.

3. Workings of the Compensation, Appointments and Governance Committee

The Compensation, Appointments and Governance 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 Compensation, Appointments and Governance 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 Compensation, Appointments and Governance 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 Compensation, Appointments and Governance Committee meetings is performed, if they are present, by the Group's Human Resources Director, or by a member of the Compensation, Appointments and Governance Committee designated as reporter 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 Compensation, Appointments and Governance Committee and the secretary of the meeting.

Certain persons who are not members of the Compensation, Appointments and Governance Committee – in particular the Compensation and Benefits Director and the Executive Management – may be invited to meetings of the Compensation, Appointments and Governance Committee.

Meetings of the Compensation, Appointments and Governance Committee are validly held when at least half of its members participate, it being specified that members who participate in a Compensation, Appointments and Governance 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 Compensation, Appointments and Governance Committee are made by majority vote of those members present.

4. Reports to the Supervisory Board

The Compensation, Appointments and Governance 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 Compensation, Appointments and Governance Committee reports must fully inform the Supervisory Board as to the Compensation, Appointments and Governance Committee's performance of its assignments.

5. Information handled by the Compensation, Appointments and Governance Committee

The Compensation, Appointments and Governance Committee is entitled to all the documents it needs to carry out its duties from employees of Hermès International among other sources and must in particular be informed about the compensation policy for senior managers who are not Executive Corporate Officers (especially members of the Executive Committee).

The Compensation, Appointments and Governance 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 Compensation, Appointments and Governance Committee

The compensation for members of the Compensation, Appointments and Governance Committee is defined by the Supervisory Board and deducted from the total amount of directors' fees.

7. Self-assessment of the Compensation, Appointments and Governance Committee

The Compensation, Appointments and Governance Committee regularly assesses its performance, covering the points of its assignments and its commitment by means of an assessment table.

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

3.1.9.3 Rules of procedure of the Audit Committee

In force since 24 March 2010 – Version n° 3 amended
17 November 2017

Purpose

These rules of procedure define the composition, duties and terms and conditions of the structure and workings of the Audit 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 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 Committee

1.1. Chairmanship – Number of members

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

The members of the Audit Committee are appointed by the Supervisory Board for the duration of their term of office as a member of the Supervisory Board or for any other term defined by the Supervisory Board. They may be reappointed indefinitely.

2. Missions of the Audit Committee

The Audit Committee studies and prepares certain proceedings of the Supervisory Board and submits to the Supervisory 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 Board, which it does not replace, the duties of the Audit Committee are to:

2.1. With regard to preparing accounting and financial information:

- ◆ review and comment on the individual and consolidated financial statements before they are approved by Executive Management and presented to the Supervisory Board;

- ◆ ascertain that the accounting methods applied are relevant and consistent;
- ◆ verify that internal data collection and control procedures guarantee the quality of the information provided;
- ◆ review the work programme and results of internal and external audit assignments;
- ◆ monitor the process of preparing financial information and, where appropriate, make recommendations to ensure its integrity;
- ◆ monitor the effectiveness of internal control and risk management systems and internal audits regarding the procedures for preparing and processing accounting and financial information without jeopardising its independence.

2.2. With regard to auditing accounting and financial information and the Statutory Auditors:

- ◆ make a recommendation to the Supervisory Board, prepared in accordance with Article 16 of Regulation (EU) no. 537/2014, on the (re) appointment of the Statutory Auditors put to the General Meeting;
- ◆ monitor the Statutory Auditors' performance of their duties in light of the High Commission on Statutory Audit's remarks and conclusions following audits conducted in accordance with Articles L. 821-9 et seq. of the French Commercial Code;
- ◆ ensure the Statutory Auditors' compliance with the independence requirements set out in Articles L. 821-9 et seq. of the French Commercial Code, take the necessary measures to apply Article 4 par. 3 of Regulation (EU) no. 537/2014 cited above, and ensure compliance with the conditions mentioned in Article 6 of said Regulation;
- ◆ approve on a case-by-case basis the provision of the services mentioned in Article L. 822-11-2 of the French Commercial Code in accordance with the following rules:
 - the following services need not be approved beforehand:
 - audit of Group reporting by subsidiaries,
 - audit of local financial statements of subsidiaries,
 - mandatory services (such as equity transactions),
 - individual services worth less than €100,000 up to a combined ceiling of €800,000 a year are delegated to the Group finance department,
 - the approval of the Audit Committee is required for services beyond the above thresholds,
 - the Statutory Auditors must disclose all fees for the financial year to the Audit Committee, including those relating to services provided within the context of the procedure;
- ◆ report on the results of the engagement regarding the certification of the financial statements, on the way the engagement contributed to the integrity of financial reporting and the role it has played in this process.

2.3. Other duties:

- ◆ 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 duties the Audit Committee may conduct site visits to appraise the overall consistency of the internal control and risk management system.

3. Workings of the Audit Committee

3.1. Meetings of the Audit Committee

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

The Audit 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 Committee meeting, Audit 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 Committee meetings is performed, if they are present, by the audit and risk management Director, otherwise by a member of the Audit 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 Committee and one of the Committee members.

Certain non-members of the Audit Committee – in particular the Statutory Auditors, the audit and risk management Director, the Financial Director and Executive Management – are regularly invited to Audit Committee meetings. The Audit 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 Committee are reasonably held when at least half of its members participate, it being specified that members who participate in an Audit 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 Committee are made by a majority vote of the members present.

3.2. Reports to the Supervisory Board

The Audit 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 Committee must enable the Supervisory Board to be fully informed on the Audit Committee's performance of its assignments.

3.3. Information handled by the Audit Committee

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

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

The Audit 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 Committee

Compensation of Audit Committee members is defined by the Supervisory Board and deducted from the total amount of directors' fees.

5. Self-assessment of the Audit Committee

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

3.2 ETHICS – COMPLIANCE

3.2.1 COMMITMENTS

3.2.1.1 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 Rights of the European Union;
- ◆ the Charter of Fundamental Rights of the International Labour Organization, the principles of which are grouped under the following themes: freedom of association, forced work, child labour, discrimination;
- ◆ the OECD guidelines;
- ◆ the OECD convention on combating the corruption of foreign public officials.

The Hermès Group and its employees endeavour to comply with the laws and regulations applicable in all countries where they operate.

These principles are clearly set out in the Group's Ethics Charter and its Code of Business Conduct, available on the Group intranet and given to all employees since 2009.

3.2.1.2 Ethics charter

The House's ethics are enshrined in a 40-page Ethics Charter, available in 10 languages and updated in 2016, distributed to all employees worldwide. It serves to inform 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 Management, it is sent to all new employees as soon as they enter the House.

The Charter reflects the unifying and founding values of the spirit that has characterised Hermès since 1837. It reaffirms our shared determination to respect certain fundamental principles and to facilitate both internal and external relationships. It 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 administrative or functional management in cases where the principles are 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 emotional 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 ethical 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, and 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 local 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 raw materials, savoir-faire, attention to detail, applied internally and externally. The authenticity of raw materials (including their provenance), as well as manufacturing, guarantee the enduring nature of Hermès objects;

- ◆ relations between Hermès and society;

Hermès is an attentive and concerned member of society committed to its natural, social, economic and cultural environment. This chapter notably sets out our 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 equips its manufacturing sites so as to blend them into the landscape, to prevent accidental pollution and to limit noise and other annoyances,

- as regards the broader community, Hermès also 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.

3.2.1.3 Code of Business Conduct

A 20-page Code of Business Conduct, available in 10 languages and updated in 2016, is distributed to all employees worldwide. It sets out the House's guiding principles on a number of operational topics. It provides a matrix alert system (by geography and by function), known as Parlons-en! ("Speak Up!"). The Code is signed by the Management, and is given to all employees as soon as they enter the House.

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. These sheets are elements of dialogue that complement Group-wide procedures (available on the intranet). They are not intended to be exhaustive, and are added to locally or on certain subjects by separate procedures. In case of conflict, local regulations are given priority.

The code sets out alert mechanisms. If employees are confronted with situations that raise ethical issues, or if they identify behaviour that raises questions, the Code lays down the principle of accountability, thereby requiring people to report any difficulties, concerns or problems they become aware of. The first step of the dialogue is with the line, administrative or functional management. The manager's duty is to listen, and to seek to resolve the issue objectively and clearly. Then, if necessary, the discussion can be continued as follows: locally with the Human Resources or Financial Department, or at Hermès Headquarters directly with the Group Human Resources Department, the Finance Department, the Legal Department, the Industrial Department or the Audit Department. Lastly, members of the Sustainable Development Committee (list available on the intranet) can also be contacted directly. Contact made within this framework is naturally understood to be confidential and to comply with the applicable legal framework.

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 our activities;

♦ **acceptable perks and gifts**

This sheet outlines the principles regarding the offering and receiving of gifts, in accordance with local regulations, ethical rules and transparency;

♦ **money laundering**

This sheet aims to make employees aware of this fraudulent practice and its risks. It gives examples of concrete cases to monitor and refers readers to the Group's mandatory procedures on the subject;

♦ **corruption**

This sheet summarises the key principles of business relationships, the main regulations on the subject, and potential impact for the company and for employees. It gives examples and emphasises the principle of zero tolerance in case of breaches of conduct on these issues;

♦ **confidentiality**

This sheet 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 conflict of interest, and specifies the types of behaviour to avoid. It emphasises the duty of transparency and fair trade practices;

♦ **insider trading**

This sheet summarises the issues, risks and behaviour to avoid on this subject, in application of the law and French rules in this area;

♦ **harassment (moral or sexual)**

Reaffirming the principle of zero tolerance on the subject, this sheet sets out elements serving to identify such issues, lays down a Group-wide information procedure (see also: "Speak Up!"), and the rules governing case management on this issue;

♦ **terrorism**

This sheet aims to raise employees' awareness and to increase their vigilance, particularly with regard to money laundering;

♦ **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 Code of Ethics, the Code of Business Conduct states in its foreword that the men and women of Hermès share the unifying and founding values that have characterised the House since 1837. It states that employees 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.

3.2.2 ORGANISATION

3.2.2.1 Chief Compliance Officer

A Director of Legal Compliance and Public Affairs was appointed on 1 September 2017, with the task of identifying, evaluating and controlling the risks to which the Hermès Group is exposed, verifying compliance with the various laws and regulations, and ensuring the implementation and updating of compliance programmes, in close cooperation with the Group's various departments. This position reports to the Group's Chief Legal Officer, who reports to the Executive Vice President, Governance and Development of Organisations, member of the Executive Committee, who in turn reports to the Group's Executive Chairman.

3.2.2.2 Compliance and Vigilance Committee

A Compliance and Vigilance Committee has been created, and is composed of the following functions:

- ◆ Director of Legal Compliance and Public Affairs
- ◆ Group Legal Director
- ◆ Audit and Risks Director
- ◆ Sustainable Development Director
- ◆ Consolidation and Management Control Director
- ◆ Labour Relations Director
- ◆ Group Direct Purchasing Coordination Manager
- ◆ Group Indirect Purchasing Manager
- ◆ Group Retail Activities Director.

The Compliance and Vigilance Committee meets regularly. Its chief purpose is to draw up compliance standards and to design and implement measures to monitor suppliers as well as to track and prevent fraud and corruption at all Group entities in France and internationally, in particular through awareness and training campaigns for staff most at risk.

Generally speaking, the Compliance and Vigilance Committee is tasked with:

- ◆ providing expertise by analysing regulatory and legislative requirements;
- ◆ fostering a culture of compliance;
- ◆ ensuring coordination and consistency;
- ◆ adapting the Group's policies in this area.

3.2.2.3 Personal Data Protection Committee

A Personal Data Protection Committee has been created, composed of employees from the following departments, the Information Systems Security Manager and the Data Protection Officer:

- ◆ Group Legal Department;
- ◆ Group Human Resources Department;
- ◆ Digital Projects & E-commerce Department;
- ◆ Group Retail Activities Department;

- ◆ Security Department;
- ◆ Audit and Risk Management Department.

The Personal Data Protection Committee's role is to identify, launch and coordinate practical initiatives to comply with the European regulation of 27 April 2016 No. 2016/679, known as the General Data Protection Regulation (GDPR), which will come into force on 25 May 2018.

3.2.2.4 Data Protection Officer

A data protection officer has been appointed with the task of informing and advising the company on its legal and regulatory obligations with regard to personal data, and of monitoring data processing and ensuring its compliance with these obligations. The Data Protection Officer is the point of contact for people involved with data and for authorities tasked with the protection of personal data.

The position is part of the Group Legal Department, reporting to the Executive Vice President, Governance and Development of Organisations, member of the Executive Committee, who in turn reports to the Group's Executive Chairman.

3.2.3 IMPLEMENTATION

3.2.3.1 Corruption

Corruption goes against the values of the Hermès Group. Fighting corruption is everyone's business. 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. Fighting corruption means creating an ethical culture that informs all of our policies, actions and decisions where lack of probity has no place.

To this end, Hermès undertakes to respect all laws and principles in this area, particularly in the countries where it operates. Hermès will continue to apply a firm policy against any offending behaviour.

To meet the requirements of French Law 2016-1691 of 9 December 2016 on transparency, the fight against corruption and the modernisation of economic life (known as *Sapin II*), the Hermès Group has appointed a Compliance and Public Affairs Legal Director, established a Compliance and Vigilance Committee and implemented an action plan to reinforce strict compliance with existing procedures.

3.2.3.2 Vigilance

In accordance with French Law 2017-399 of 27 March 2017, the Hermès Group has drawn up a reasonable vigilance plan designed to identify risks and prevent serious harm in respect of human rights and fundamental freedoms, employee health and safety and the environment resulting from its activities and the activities of subcontractors and suppliers. Mitigation and prevention mechanisms in relation to these risks are addressed specifically in section 66 regarding employees and 100 as regards suppliers.

3.2.3.3 Personal data and respect for privacy

The Hermès Group has adopted binding corporate rules (BCR) for managing the personal data of its customers. The BCRs were validated in 2012 by the European authorities in charge of the protection of personal data, and have since been integrated by all Group companies dealing with customer data. They ensure an adequate level of protection for customers' personal data when transferred within the Group.

In addition, to meet the requirements of the European Union's General Data Protection Regulation of 27 April 2016, a working group has been set up to perform a diagnosis and to establish a compliance plan around the following themes:

- ◆ internal organisation and governance: roles and responsibilities in respect of data protection;
- ◆ respect for the rights of people: consent, information provided to the people concerned, exercise of their rights;
- ◆ compliance of processing: registers of processing, identification and classification of processing, duration for which data are kept, contract management;
- ◆ data security: procedures and controls, management of security breaches, impact analysis and privacy by design/privacy by default mechanisms;
- ◆ continuous improvement: monitoring, internal control and certification.

3.2.4 CONTROL

3.2.4.1 Professional alert line

The Group has established a central alert system to anticipate and control its risks called *Parlons-en!* ("Speak Up!"). Described in the Code of Business Conduct, it is regularly updated in line with regulatory, legislative, economic, societal, geopolitical and competitive developments.

Local alert systems are also in place in major subsidiaries such as the United States, the United Kingdom and China.

3.2.4.2 Sanctions system

The sanctions system in place for compliance programmes corresponds to the system of sanctions described in the 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.

3.2.4.3 Audit of the application of ethical values

Internal and external audits of the Group's companies and its main suppliers and partners are conducted regularly on questions relating to the application of the Group's procedures. Among other areas, these audits cover the fight against corruption, the combat against money laundering, the protection of personal data, respect for the environment, respect for human rights and fundamental freedoms, and employee health and safety.

3.2.4.4 Training on ethical issues

An "Ethics, Integrity and Anti-Corruption" training module for in-store sales staff was rolled out widely in 2017, particularly in France, Belgium, Germany, Spain, Russia, Switzerland, Greece, Italy, the United Kingdom, Japan, Middle East and South Asia (Australia, Singapore, etc.), and for staff working in the travel retail network.

The programme's rollout is set to continue in 2018 in the United States, India, Thailand, Korea, and China among others.

Training programmes for the staff most at risk, such as buyers, sales teams in contact with intermediaries and the executive committees of the main subsidiaries are also being reinforced and increased.

3.2.4.5 Network of compliance liaison officers within the Group

Legal teams located internationally, in particular in the United States, China, Japan, Singapore and India, constitute the network of compliance personal data protection liaison officers, acting with the Group Compliance Officer and with the Data Protection Officer to develop, facilitate and coordinate compliance programmes within the Group.

Internal controllers also play a role in the implementation of procedures on these subjects (see Risk Factors on page 35).

3.3 OTHER INFORMATION FROM EXECUTIVE MANAGEMENT'S REPORT

3.3.1 STAKES OF CORPORATE OFFICERS AND EXECUTIVE COMMITTEE MEMBERS IN THE SHARE CAPITAL

In accordance with Article 18.1 of Note 1 to Regulation (EU) 809-2004, at 31 December 2017 the stake of Corporate Officers, Executive Chairmen and Supervisory Board members in the Company's share capital, as reported to the Company, were as follows:

	Wholly-owned shares with usufruct ¹ (General Meeting votes on the allocation of net income)				Wholly-owned shares without usufruct ¹ (other General Meeting votes)			
	Number of shares	%	Number of votes	%	Number of shares	%	Number of votes	%
SHARE CAPITAL AT 31/12/2017	105,569,412	100.00%	173,425,158	100.00%	105,569,412	100.00%	173,425,158	100.00%
Executive Chairmen								
Émile Hermès SARL	33,236	0.03%	33,238	0.02%	33,236	0.03%	33,238	0.02%
Axel Dumas	10,398	0.01%	13,726	0.01%	10,398	0.01%	13,726	0.01%
Supervisory Board members								
Éric de Seynes	203	0.00%	406	0.00%	203	0.00%	406	0.00%
Frédéric Afriat	70	0.00%	70	0.00%	70	0.00%	70	0.00%
Dorothee Altmayer	200	0.00%	230	0.00%	200	0.00%	230	0.00%
Charles-Éric Bauer	73,648	0.07%	147,296	0.09%	73,648	0.07%	147,296	0.09%
Monique Cohen	250	0.00%	250	0.00%	250	0.00%	250	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%	362,644	0.21%	306,312	0.29%	362,644	0.21%
Sharon MacBeath	200	0.00%	200	0.00%	200	0.00%	200	0.00%
Renaud Momméja	178,132	0.17%	284,306	0.16%	178,144	0.17%	284,330	0.16%
Robert Peugeot	200	0.00%	400	0.00%	200	0.00%	400	0.00%
Dominique Senequier	200	0.00%	400	0.00%	200	0.00%	400	0.00%
Executive Committee (excluding Executive Chairmen and members of the Supervisory Board)								
Florian Craen	3,040	0.00%	3,040	0.00%	3,040	0.00%	3,040	0.00%
Charlotte David	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Pierre-Alexis Dumas	93,127	0.09%	178,184	0.10%	89,004	0.08%	169,938	0.10%
Olivier Fournier	2,655	0.00%	2,740	0.00%	2,655	0.00%	2,740	0.00%
Wilfried Guerrand	6,128	0.01%	6,183	0.00%	6,128	0.01%	6,183	0.00%
Éric du Halgouët	3,041	0.00%	3,042	0.00%	3,041	0.00%	3,042	0.00%
Guillaume de Seynes	11,595	0.01%	14,234	0.01%	11,595	0.01%	14,234	0.01%

(1) Voting rights that can be exercised in the General Meeting. In accordance with Article 12 of the Articles of Association, voting rights are exercised by the bare owners of shares for all decisions made by all General Meetings except for decisions concerning the allocation of net income for which voting rights are exercised by the usufructuaries. The procedures for publishing and allocating voting rights are detailed on page 294.

3.3.2 STATEMENTS BY CORPORATE OFFICERS

According to the statements made to the Company by the Corporate Officers:

- ◆ no Corporate Officer was convicted of fraud in the last five years;
- ◆ no Corporate Officer was involved in any bankruptcy, sequestration or liquidation in the last five years in their capacity as a member of an administrative, management or supervisory body or as a Executive Vice-President;
- ◆ no Corporate Officer was 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 was accused or penalised in a court of law by a statutory or regulatory authority (including designated professional bodies).

3.3.3 ALLOCATION OF FREE SHARES AND STOCK OPTIONS

3.3.3.1 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 at a multiyear rate (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 in the section 2 "Corporate social responsibility information" on page 64.

3.3.3.2 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 2017.

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 entities affiliated therewith by granting existing shares in the Company for no consideration. The conditions of delegations of authority still in force are shown on page 163 to 168.

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.

Through the use of this authorisation, in 2017 the Executive Management awarded shares under a selective plan, it being specified that Axel Daumas, sole natural person as Executive Chairman, was not awarded any bonus shares under said plan.

Table 11 on page 162 sets out the conditions of the free share allocation plans (in particular the vesting period, holding period and performance conditions where applicable) and Table 12 on page 163 sets out the details of free shares allocated to the top 10 employee beneficiaries who are not Corporate Officers.

In accordance with Articles L. 225-197-1 et seq. of the French Commercial Code, free share allocations under some plans are always contingent on service and performance conditions. With an objective 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 retention 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 were accompanied by 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 (Article 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 p.140 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 30, page 237).

3.3.3.3 Stock options

The Executive Management was authorised to grant stock options to certain employees and Corporate Officers of the Company and of affiliated companies by the Extraordinary General Meeting. These delegations of authority were not used in 2017. As shown in the table on page 161, no stock option plans existed at 31 December 2017.

3.3.3.4 Stock options

All stock option plans to subscribe for new shares lapsed in 2009. No authorisation from the General Meeting allows the Executive Management to grant stock options.

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>	2017	2016
Revenue	5,549.2	5,202.2
Cost of sales	(1,659.3)	(1,681.9)
Gross margin	3,889.9	3,520.3
Selling, marketing and administrative expenses	(1,656.3)	(1,545.3)
Other income and expenses	(311.6)	(278.5)
Recurring operating income	1,922.0	1,696.5
Other non-recurring income and expenses	-	-
Operating income	1,922.0	1,696.5
Net financial income	(32.2)	(47.8)
Net income before tax	1,889.8	1,648.8
Income tax	(669.3)	(555.5)
Net income from associates	5.3	10.9
CONSOLIDATED NET INCOME	1,225.8	1,104.2
Net income attributable to non-controlling interests	(4.3)	(3.9)
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	1,221.5	1,100.3

In 2017, the Hermès Group reported revenue of €5,549 million, up 6.7% at current exchange rates (8.6% at constant exchange rates). The gross margin was 70.1%, up by 2.4 points, due to the good productivity of the production sites, the success of the collections and the positive impact of foreign exchange hedges.

Sales, marketing and administrative expenses, which represented €1,656 million versus €1,545 million in 2016, include €275 million of communication expenditure. Other income and expenses came to €312 million. This figure includes €167 million of depreciation and amortisation charges, which reflects the rapid pace of investment in the development and renovation of the distribution network, as well as the cost of free share allocation plans.

Operating income increased by 13.3% to €1,922 million versus €1,697 million in 2016. Operational profitability represented 34.6% of sales, up by 2 percentage points compared to 2016 (32.6%).

Net financial income was an expense of €32 million versus €48 million in 2016. Net income attributable to non-controlling interests totalled €4 million. The tax expense stood at €669 million and includes the exceptional contributions due in France in 2017. After taking into account the results of associates (income of €5 million), the Group's consolidated net result grew by 11.0% to €1,221 million.

4.2 COMMENTS ON THE SUMMARY CONSOLIDATED STATEMENT OF PROFIT OR LOSS

In millions of euros	2017	2016
Cash flows related to operating activities	1,605.6	1,473.9
of which operating cash flows	1,598.1	1,438.7
of which change in working capital requirements	25.4	46.0
Cash flows related to investing activities	(346.7)	(219.6)
of which investments (excluding financial investments)	(270.1)	(285.4)
of which financial investments	(142.7)	(13.0)
Cash flows related to financing activities	(590.9)	(471.2)
of which dividends paid	(401.9)	(360.1)
of which treasury share buybacks net of disposals	(187.9)	(108.8)
Foreign currency translation adjustment and change in scope	(76.3)	(34.5)
CHANGE IN NET CASH POSITION	591.8	748.6
Net cash position at the end of the period	2,911.7	2,319.8
Restated net cash position ¹	3,049.9	2,345.3

(1) Adjusted net cash includes cash investments which do not meet the criteria for cash and cash equivalents under IFRS as their initial maturity is greater than three months.

4.2.1 FINANCIAL POSITION

Operating cash flows totalled €1,598 million, up by 11.1%. It enabled the Group to finance all capital expenditure (€265 million), the distribution of an ordinary dividend (€399 million) and the buyback of shares, excluding changes under the liquidity contract (€188 million in employee profit-sharing). The decrease in working capital requirements (€25 million) was attributable chiefly to the decline in net inventories. Cash stood at €2,912 million as at 31 December 2017, versus €2,320 million as at 31 December 2016.

After taking into account non-liquid financial investments exceeding three months, adjusted net cash stood at €3,050 million versus €2,345 million as at 31 December 2016, up by more than €700 million. Strong earnings growth drove up shareholders' equity attributable to owners of the parent to €5,039 million as at 31 December 2017 versus €4,383 million as at 31 December 2016.

4.2.2 INVESTMENTS

In 2017, Hermès pursued the qualitative development of its distribution network and the strengthening of its production capacity, with €270 million in investments (excluding financial investments).

The Group opened, refurbished or extended approximately 20 branches.

In addition, the Leather Goods and Saddlery division continued to invest in new capacities, including with the opening of the Maroquinerie de Normandie and the Ganterie-Marroquinerie in Le Limousin. Works on the production unit at l'Allan in Franche-Comté were completed at the end of the year.

In millions of euros	2017	2016
Operating investments	265.2	262.1
Investments in financial assets	4.9	23.3
Subtotal – Investments (excluding financial investments)	270.1	285.4
Financial investments ¹	142.7	13.0
TOTAL INVESTMENTS	412.8	298.4

(1) Financial investments correspond to the cash investments for which the maturity requires that they be classified as financial assets in accordance with IFRS.

4.3 CREATION OF VALUE

The notions of economic value added (EVA) and return on capital employed (ROCE) were implemented within the Hermès Group several years ago as performance indicators for the Group's investments.

<i>In millions of euros</i>	2017	2016
Recurring operating income	1,922.0	1,696.5
Group tax rate	35.4%	33.7%
Recurring operating income, after tax (I)	1,241.3	1,125.0
Capital employed at the end of the period ¹	2,091.8	2,251.8
Average capital employed over the period (II) ²	2,171.8	2,284.1
Weighted average cost of capital (III)	7.88%	7.71%
Economic value added (EVA) = (I) - (II) x (III)	1,070.2	948.9
Return on capital employed (ROCE) = (I) ÷ (II)	57%	49%

(1) Corresponds to the sum of non-financial assets and working capital requirements as at 31 December. The reconciliation of this indicator with the Group's statement of financial position is as follows:

<i>In millions of euros</i>	2017	2016
Statement of financial position-assets	6,768.2	5,998.7
♦ Financial assets	(270.9)	(31.9)
♦ Cash and cash equivalents	(2,931.9)	(2,328.9)
Subtotal I	3,565.4	3,637.8
Statement of financial position-liabilities	6,768.2	5,998.7
♦ Equity	(5,045.5)	(4,384.8)
♦ Borrowings and financial liabilities	(53.7)	(41.0)
♦ Provisions and non-current post-employment and other employee benefit obligations	(195.4)	(186.8)
Subtotal II	1,473.7	1,386.0
CAPITAL EMPLOYED AT THE END OF THE PERIOD (I-II)	2,091.8	2,251.8

(2) Corresponds to the average capital employed at the end of the period *n* and *n-1*.

The economic value added (€1,070 million in 2017, versus €949 million in 2016) increased by 13% driven by growth and the favourable changes in working capital requirements. The return on capital employed reached its highest historical level in 2017 at 57%, versus 49% the previous year.

4.4 EXCEPTIONAL EVENTS

No exceptional events occurred in 2017.

4.5 INFORMATION ON THE PARENT COMPANY FINANCIAL STATEMENTS, ON ACCOUNTS PAYABLE DUE DATES, SUBSIDIARIES AND ASSOCIATES

4.5.1 INFORMATION ON PARENT COMPANY FINANCIAL STATEMENTS

The parent company financial statements as presented were approved by the Executive Management on 21 March 2018 and will be submitted to the shareholders for approval at the General Meeting of 5 June 2018. The parent company financial statements were also reviewed by the Audit Committee at its meeting of 15 March 2018.

4.5.1.1 Revenue

Revenue amounted to €216.6 million in 2017, as compared with €177.6 million in 2016.

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.

4.5.1.2 Statement of financial position and statement of profit or loss

Hermès International's statement of financial position and statement of profit or loss appear on pages 248 to 249.

The parent company financial statements are drawn up in accordance with the provisions of French laws and regulations and with generally accepted accounting principles.

As at 31 December 2017, total assets amounted to €4,021.9 million compared with €3,465.6 million as at 31 December 2016. The statement of profit or loss shows net income of €778.3 million, compared with €1,091.2 million in 2016.

As at 31 December 2017, Share capital amounted to €53,840,400.12, divided into 105,569,412 shares with a par value of €0.51 each.

4.5.2 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 trade payables by due date is given on page 272.

4.5.3 INFORMATION ON SUBSIDIARIES AND ASSOCIATES

A list of companies whose registered office 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 (pages 268 and 269).

4.5.3.1 Activity of subsidiaries

The activities of the main subsidiaries of the Group are shown on page 31.

4.5.3.2 Equity investments in companies with registered offices in France (Article. L. 233-6 of the French Commercial Code (*Code de commerce*))

In 2017, Hermès International and its subsidiaries made the following equity investments in companies with registered offices in France:

- ◆ Castille Investissements acquired an additional stake (49%) in the share capital of Beyrand (100% on 31 December 2017).

4.5.4 INFORMATION ON BRANCHES

In application of Article L. 232-1 of the French Commercial Code (*Code de commerce*), below, we communicate to you the list of branches (secondary establishments) of the Company as at 31 December 2017:

Address	SIRET
Paris	
13-15, rue de la Ville-l'Évêque 75008 Paris	572 076 396 00173
27-27, rue de la Ville-l'Évêque 75008 Paris	572 076 396 00181
10-12, rue d'Anjou 75008 Paris	572 076 396 00215
51, rue François-Ier 75008 Paris	572 076 396 00132
Pantin	
48 rue Auger, 93500 Pantin	572 076 396 00223
100, avenue du Général-Leclerc 93500 Pantin	572 076 396 00199
110 B, avenue du Général-Leclerc 93500 Pantin	572 076 396 00207

4.5.5 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 2017.

4.6 OUTLOOK

In a geopolitical and socio economic environment which has been characterised for several years by great instability and volatility worldwide, Hermès' unique model is very solid and strong year after year, with regular growth in its revenue over time.

Hermès is proud of its long tradition, drawing on the excellence of its craftsmanship, a high degree of creativity and an exclusive distribution network. The Company continues to flourish, thanks to its attractive range of rich and diverse business lines.

Thus, the Group launched a new Internet platform, firstly in Canada and the United States. It will also be available in the first half of 2018 in Europe, then in China at the end of the year, to offer a unique and original digital experience, bringing together, at a single point of entry, editorial content and products that reflect the diversity and originality of our creations, the proficiency of our savoir-faire and which relay the major events of the Company.

The qualitative development of our network will be pursued with the opening of eight new stores, notably in Hong Kong, Palo Alto in the United States, Cancun in Mexico, Bangkok in Thailand and Xi'an in China. Priority will be given to extensions and renovation in over twenty stores around the world.

In light of our particularly strong growth, Hermès will continue to increase its production capacities. The strong demand in Leather Goods & Saddlery, both for iconic bags and for other models such as

the *Constance*, *Halzan*, *Lindy* and *Verrou* bags, will be sustained by the new sites coming up and projects to increase production capacity and to hire and train craftsmen. Following the site extensions in le Vaudreuil in Normandy and Saint-Junien in Limousin in 2017, the production unit in l'Allan will be opened in 2018, and those of Guyenne and Montereau should be completed by the year 2020.

Meanwhile, the house's other business lines will continue to draw on their know-how to design and produce exceptional objects, in line with Hermès traditions.

True to its history of singular communication, Hermès will continue to devise rich and surprising events, whose impact will be enhanced by a series of media-wide campaigns. The events strategy will remain extremely dynamic with the Saut Hermès at the Grand Palais, events inspired by our universes (women, men and home), as well as Hermès at work and petit h sales events and celebrations for the opening and reopening of stores.

In 2018, Hermès is celebrating the theme "Let's play!." Beyond more recreation, this guiding vision rewards us of the importance of enjoyment as a driver of creativity, innovation and agility.

In the medium term, despite growing 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 PROFIT OR LOSS FOR 2017

<i>In millions of euros</i>	Notes	2017	2016
Revenue	3	5,549.2	5,202.2
Cost of sales	4	(1,659.3)	(1,681.9)
Gross margin		3,889.9	3,520.3
Selling, marketing and administrative expenses	5	(1,656.3)	(1,545.3)
Other income and expenses	6	(311.6)	(278.5)
Recurring operating income	3	1,922.0	1,696.5
Other non-recurring income and expenses		-	-
Operating income		1,922.0	1,696.5
Net financial income	7	(32.2)	(47.8)
Net income before tax		1,889.8	1,648.8
Income tax	8	(669.3)	(555.5)
Net income from associates	15	5.3	10.9
CONSOLIDATED NET INCOME		1,225.8	1,104.2
Net income attributable to non-controlling interests	21	(4.3)	(3.9)
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT		1,221.5	1,100.3
Earnings per share in euros	9	11.70	10.53
Diluted earnings per share in euros	9	11.62	10.47

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 on the level of the totals or changes.

5.2 CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

<i>In millions of euros</i>	Notes	2017	2016
Consolidated net income		1,225.8	1,104.2
Changes in foreign currency adjustments	20.4	(149.6)	(2.3)
Future cash flow hedges in currencies ¹	20.4	55.8	(19.4)
♦ <i>change in fair value</i>		58.7	2.8
♦ <i>recycling through profit or loss</i>		(2.8)	(22.2)
Available-for-sale financial assets ¹	20.4	72.7	-
♦ <i>change in fair value</i>		72.7	-
♦ <i>recycling through profit or loss</i>		-	-
Gains and losses recognised in equity and transferable through profit or loss		(21.0)	(21.6)
Other items ¹	20.4	-	-
Employee commitments: change in value linked to actuarial gains and losses ¹	20.4	(8.6)	(11.3)
Gains and losses recognised in equity and not transferable through profit or loss		(8.6)	(11.3)
Net comprehensive income		1,196.1	1,071.2
♦ attributable to owners of the parent		1,192.0	1,067.5
♦ attributable to non-controlling interests		4.2	3.7

(1) Net of tax.

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 on the level of the totals or changes.

5.3 CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

ASSETS

<i>In millions of euros</i>	Notes	31/12/2017	31/12/2016
Non-current assets		2,297.6	2,185.8
Goodwill	10	32.9	36.6
Intangible assets	11	131.9	122.1
Property, plant and equipment	12	1,283.3	1,334.6
Investment property	13	79.8	85.8
Financial assets	14	270.9	31.9
Investments in associates	15	72.5	87.3
Loans and deposits	16	47.6	47.5
Deferred tax assets	8.3	349.8	430.4
Other non-current assets	18	29.0	9.5
Current assets		4,470.6	3,812.9
Inventories and work-in-progress	17	896.2	915.1
Trade and other receivables	18	255.9	307.2
Current tax receivables	18	32.6	22.7
Other assets	18	253.0	198.4
Financial derivatives	22.4	101.1	40.5
Cash and cash equivalents	19	2,931.9	2,328.9
TOTAL ASSETS		6,768.2	5,998.7

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 on the level of the totals or changes.

LIABILITIES

Before allocation

<i>In millions of euros</i>	Notes	31/12/2017	31/12/2016
Equity		5,045.5	4,384.8
Share capital	20	53.8	53.8
Share premium		49.6	49.6
Treasury shares	20	(453.6)	(287.8)
Reserves		4,022.3	3,300.5
Foreign currency adjustments	20.2	13.8	163.3
Revaluation adjustments	20.3	131.4	2.8
Net income attributable to owners of the parent		1,221.5	1,100.3
Non-controlling interests	21	6.6	2.2
Non current liabilities		365.2	323.8
Borrowings and financial liabilities	22.3	23.5	20.8
Provisions	23	7.1	3.5
Post-employment and other employee benefit obligations	25	188.2	183.4
Deferred tax liabilities	8.3	46.8	49.0
Other non-current liabilities	26	99.5	67.3
Current liabilities		1,357.5	1,290.0
Borrowings and financial liabilities	22.3	30.1	20.2
Provisions	23	151.7	94.7
Post-employment and other employee benefit obligations	25	6.0	5.6
Trade and other payables	26	481.0	463.7
Financial derivatives	22.4	18.8	53.8
Current tax liabilities	26	141.1	128.3
Other current liabilities	26	528.8	523.8
TOTAL EQUITY AND LIABILITIES		6,768.2	5,998.7

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 on the level of the totals or changes.

5.4 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AS AT 31 DECEMBER 2017

Before allocation

<i>In millions of euros</i>	Share capital	Share premium	Treasury shares	Consolidated reserves and net income attributable to owners of the parent
Notes	20		20	
31 December 2015	53.8	49.6	(271.8)	3,805.4
Net income attributable to owners of the parent	-	-	-	1,100.3
Income and expenses recognised directly in equity	-	-	-	
Sub-total	-	-	-	-
Change in share capital and share premium	-	-	-	1,100.3
Purchase or sale of treasury shares	-	-	(15.9)	(92.4)
Share-based payments	-	-	-	53.8
Dividends paid	-	-	-	(356.0)
Other	-	-	-	(16.4)
As at 31 December 2016	53.8	49.6	(287.8)	4,494.6
Net income attributable to owners of the parent	-	-	-	1,221.5
Income and expenses recognised directly in equity	-	-	-	
Sub-total	-	-	-	1,221.5
Change in share capital and share premium	-	-	-	-
Purchase or sale of treasury shares	-	-	(165.8)	(21.7)
Share-based payments	-	-	-	62.0
Dividends paid	-	-	-	(399.3)
Other	-	-	-	(10.7)
SHARE PRICE AS AT 31 DECEMBER 2017	53.8	49.6	(453.6)	5,346.4

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 on the level of the totals or changes.

Actuarial gains and losses	Foreign currency adjustments	Revaluation adjustments		Equity attributable to owners of the parent	Non-controlling interests	Equity	Number of shares
		Financial and other investments	Future cash flow hedge in foreign currencies				
20.4	20.2	14	20.3		21		20
(82.5)	165.3		22.2	3,742.0	6.7	3,748.7	105,569,412
-	-		-	1,100.3	3.9	1,104.2	-
(11.3)	(2.1)		(19.4)	(32.7)	(0.2)	(32.9)	-
(11.3)	(2.1)		(19.4)	1,067.5	3.7	1,071.2	-
-	-		-	0.0	-	-	-
-	-		-	(108.4)	-	(108.4)	-
-	-		-	53.8	-	53.8	-
-	-		-	(356.0)	(4.1)	(360.1)	-
-	0.1		-	(16.4)	(4.2)	(20.4)	-
(93.8)	163.3		2.8	4,382.6	2.2	4,384.8	105,569,412
-	-		-	1,221.5	4.3	1,225.8	-
(8.6)	(149.4)	72.7	55.8	(29.5)	(0.1)	(29.6)	-
(8.6)	(149.4)	72.7	55.8	1,192.0	4.2	1,196.1	-
-	-		-	0.0	-	-	-
-	-		-	(187.6)	-	(187.6)	-
-	-		-	62.0	-	62.0	-
-	-		-	(399.3)	(2.6)	(401.9)	-
-	(0.1)		-	(10.8)	2.8	(8.0)	-
(102.5)	13.8	72.7	58.7	5,039.0	6.6	5,045.5	105,569,412

5.5 CONSOLIDATED STATEMENT OF CASH FLOWS FOR 2017

Before allocation

<i>In millions of euros</i>	Notes	2017	2016
CASH FLOWS RELATED TO OPERATING ACTIVITIES			
Net income attributable to owners of the parent		1,221.5	1,100.3
Depreciation and amortisation	11, 12 and 13	201.1	201.8
Impairment losses	10, 11 and 12	41.9	30.3
Mark-to-Market financial instruments		(1.4)	7.2
Foreign exchange gains/(losses) on fair value adjustments		19.7	30.4
Change in provisions		78.6	70.1
Net income from associates	15	(5.3)	(10.9)
Net income attributable to non-controlling interests	21	4.3	3.9
Capital gains/(losses) on disposals		1.3	(18.8)
Deferred tax expense		(25.3)	(29.3)
Accrued expenses and income related to share-based payments		62.0	53.8
Other		(0.3)	(0.1)
Operating cash flows		1,598.1	1,438.7
Dividend income		(17.9)	(11.6)
Interest income and expenses		(8.6)	(3.4)
Current tax expense		689.7	612.5
Operating cash flows before financial interest, dividends and taxes		2,261.3	2,036.2
Change in working capital requirements related to the activity		34.7	22.5
Interest income and expenses		8.6	3.4
Income tax paid		(698.9)	(588.2)
Change in net cash related to operating activities		1,605.6	1,473.9
CASH FLOWS RELATED TO INVESTING ACTIVITIES			
Purchase of intangible assets	11	(49.3)	(46.9)
Purchase of property, plant and equipment assets	12 et 13	(216.0)	(215.2)
Investments in subsidiaries and associates		(4.9)	(23.3)
Purchase of other financial assets	14	(142.7)	(13.0)
Amounts payable to fixed asset suppliers		15.8	2.8
Proceeds from sale of operating assets		3.6	18.1
Proceeds from sale of investments in associates		-	9.5
Proceeds from sale of other financial assets	14	10.7	22.8
Dividends received		36.0	25.7
Change in net cash related to investing activities		(346.7)	(219.6)
CASH FLOWS RELATED TO FINANCING ACTIVITIES			
Dividends paid		(401.9)	(360.1)
Treasury share buybacks net of disposals		(187.9)	(108.8)
Proceeds from borrowings		0.7	3.6
Repayment of borrowings		(1.8)	(5.8)
Other increases/(decreases) in equity		-	(0.0)
Change in net cash related to financing activities		(590.9)	(471.2)
Change in scope		0.0	(0.0)
Change in foreign currency translation adjustment on intra-group transactions		(23.5)	(27.6)
Foreign currency translation adjustment	19	(52.7)	(6.9)
CHANGE IN NET CASH POSITION	19	591.8	748.6
Net cash position at the beginning of the period	19	2,319.8	1,571.2
Net cash position at the end of the period	19	2,911.7	2,319.8

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 on the level of the totals or changes.

Hermès International is a *société en commandite par actions* (partnership limited by shares) established under French law. It is listed on Eurolist (Compartment A) 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 financial position 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, expressed in euros.

The consolidated financial statements as presented were approved by the Executive Management on 21 March 2018 and will be submitted to the shareholders for approval at the General Meeting on 5 June 2018. The annual consolidated financial statements were also reviewed by the Audit Committee at its meeting on 15 March 2018.

5.6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 1 ACCOUNTING PRINCIPLES AND POLICIES

1.1 Accounting Standard

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 2017. Under European regulation no. 1606/2002, companies listed on a regulated stock exchange in one of the European Union Member States are required to present their consolidated financial statements prepared in accordance with IFRS for financial years commencing on or after 1st January 2005.

1.1.1 Mandatory standards, amendments and interpretations applicable as at 1st January 2017

The standards applicable to Hermès from 2017 onwards are as follows:

- ◆ amendments to IAS 12 and IAS 7;
- ◆ amendments resulting from the annual IFRS improvement procedure, 2014-2016 cycle.

These texts had no impact on the Group's consolidated financial statements.

1.1.2 Changes to standards after 31 December 2017

The Group monitors changes to standards that were not yet applicable as of 31 December 2017, notably:

- ◆ IFRS 9 Financial Instruments that establishes the principles governing recognition and disclosures in matters of financial assets and liabilities. These principles, applicable for periods beginning on or after 1st January 2018, replace those currently set out in IAS 39 Financial Instruments. The impacts of the application of the standard will bear mainly on the recognition of the ineffective portion of derivatives classified as cash flow hedges: the change in fair value related to forward currency agreements as well as the time value (premium) of foreign currency options is recognised directly in other elements of comprehensive income in the item "Revaluation adjustments". When the flows of hedged cash are realized, these amounts previously entered in equity are shown in financial income. The expected impact of the application of the standard is not very significant;
- ◆ IFRS 15 Revenue from Contracts with Customers, which replaces IAS 18 Revenue, applicable in 2018. In view of the nature of the Group's activities, the implementation of this standard will not have a significant impact on the consolidated financial statements;
- ◆ IFRS 16 Leases, applicable on or after 1st January 2019. The Group initiated the project for implementation of the standard that concerns almost exclusively the real estate rentals. The inventory of contracts and the collection of the data necessary to precisely estimate the impact on the balance sheet of the first application of IFRS 16 are

in progress. In consideration of the Group's activity, the expected impacts will be significant.

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 exclusive control, joint control or significant influence.

1.2.1 Exclusive control

Exclusive 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 exclusive 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 financial position 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 accounted for using the equity method. At this time, the Group does not hold any company under joint control.

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 accounted for 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 financial position 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 statement of financial position, 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 statement of financial position

In accordance with IAS 1 *Presentation of Financial Statements*, the Group classifies its assets and liabilities on its statement of financial position 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 First-time consolidation and goodwill

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 1st 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 book value 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 upon first-time consolidation 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 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 1.8).

Impairment of the goodwill of subsidiaries is not reversible. Any impairment charge is included in "Other income and expenses" of the operating income.

1.6.2 Associates

Goodwill of associates is recognised under "Investments in associates". When the impairment criteria as defined by IAS 39 *Financial Instruments: recognition and measurement* indicate that these investments may be impaired and the amount of such impairment is determined in accordance with the rules defined by IAS 36 *Impairment of Assets*.

Impairment of associates' goodwill is reversible.

1.7 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.

1.7.1 Intangible assets

Intangible assets, valued at amortised historical cost, consist primarily of:

- ◆ leasehold rights;
- ◆ patents, models and brands other than internally generated brands;
- ◆ computer software.

Leasehold rights are generally deemed to be fixed assets with an indefinite life if their residual value at the end of the lease term is positive. In this case, they are subject to impairment testing to ensure that their net carrying amount is higher than their probable realisable value.

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.

Other software, either acquired or developed internally, is 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.

1.7.2 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 and 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);
- ◆ 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, and therefore the periods over which they are depreciated, 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 operating income and expenses".

1.7.3 Finance lease agreements

Property acquired under finance lease agreements is capitalised when the lease effectively transfers to the lessee virtually all risks and rewards incident to ownership of such property. The criteria for evaluating these agreements as provided by IAS 17 *Leases* are based primarily on:

- ◆ the lease term as a proportion of the life of the leased assets;
- ◆ the total future minimum payments in proportion to the fair value of the asset financed;
- ◆ the transfer of ownership at the end of the lease;
- ◆ the existence of an attractive purchase option;
- ◆ the specific nature of the leased asset.

Finance leases identified in this way, if they are material, are restated in order to show:

- ◆ on the asset side of the statement of financial position, the original value of the relevant property and the theoretical depreciation thereon (wherein the original value is the lower of the present value of the minimum lease payment amounts or the fair value of the leased asset at the inception of the lease);
- ◆ on the liabilities side of the statement of financial position, the corresponding financial liability;
- ◆ under financial expenses and depreciation, the minimum lease payments under the agreement, such that the financial expense is allocated to periods during the lease term so as to produce a constant periodic interest rate on the remaining balance of the liability for each financial year.

Leases that do not meet the criteria of finance leases are treated as operating leases, in which case the rents are recorded in the statement of profit or loss on a straight-line basis over the lease term.

1.7.4 Investment property

In accordance with IAS 40 *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 like property, plant and equipment, investment properties are recorded at historical acquisition cost, less accumulated depreciation and recognised impairment losses, over the same depreciation periods as those applicable to other property, plant and equipment.

1.8 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:

- ◆ intangible assets;
- ◆ property, plant and equipment;
- ◆ investment property;
- ◆ goodwill.

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).

The Group tests for impairment of 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 may be 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 WACC of the Group (7.88% in 2017 vs 7.71% in 2016) 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.

1.9 Financial assets and liabilities

In accordance with IFRS standards, 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 statement of financial position 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 IAS 39 *Financial Instruments: recognition and measurement*; and are presented separately in the statement of financial position.

1.9.1 Classification of financial assets and liabilities and valuation methods

A. Financial assets and liabilities stated at fair value with changes in fair value recorded in the statement of 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. Held-to-maturity financial assets

This category covers fixed-term financial assets, bought with the intention and ability of holding them until maturity.

These items are recognised at amortised cost. Interest is calculated at the effective interest rate and recorded in the statement of profit or loss under “Other financial income and expenses”.

C. Loans and financial receivables

Loans and financial receivables are valued and 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”.

D. Available-for-sale financial assets

Available-for-sale financial assets include non-consolidated investments and investment securities. For each closing period, they are stated at fair value.

Unrealised gains or losses on available-for-sale financial assets are recorded in other comprehensive income in “Revaluation adjustments”.

For available-for-sale financial assets represented by debt securities, interest is calculated at the effective interest rate and credited to the statement of profit or loss under “Other financial income and expenses”.

E. Financial debts

Financial debts are recorded at amortised cost, with separate reporting of embedded derivatives where applicable.

Interest is calculated at the effective interest rate and recorded in the statement of profit or loss under “Gross cost of debt” over the duration of the financial debt.

F. Financial derivatives

Scope

The scope of financial derivatives applied by the Group corresponds to the principles set out in IAS 39 *Financial Instruments: Recognition and Measurement*. According to Group rules, consolidated subsidiaries may not take any speculative financial positions.

In compliance with IAS 39, the Group analyses all its contracts, of both a financial and non-financial nature, 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 IAS 39, embedded derivatives are accounted for separately from the “host” contract at the inception date.

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. Changes in the fair value of such hedging instruments are recorded directly in other comprehensive income excluding the ineffective portion of the hedge, which is recorded in the statement of profit or loss under “Other financial income and expenses”. The ineffective portion of the hedge corresponds to the changes in the fair value of the hedging instrument in excess of changes in the fair value of the hedged item. When the hedged cash flows materialise, the amounts previously recognised in equity are transferred to the statement of profit or loss in the same way as for the hedged item.

Financial derivatives classified as hedges

The Group uses derivatives to hedge its foreign exchange risks.

Hedge accounting is applicable, in accordance with IAS 39 *Financial Instruments: recognition and measurement*, when the following conditions have been met:

- 1) the hedge must be supported by appropriate documentation from the time of its implementation;
- 2) the effectiveness of the hedging relationship must be demonstrated both prospectively and retrospectively. The income obtained in this way must be between 80% and 125%.

G. Cash and cash equivalents

Cash and cash equivalents consist of immediately available cash and very 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.

1.9.2 Impairment of financial assets

For each closing period, the Group assesses whether there is any objective evidence of an asset’s impairment. If so, the Group estimates the asset’s recoverable value and records any necessary impairment as appropriate for the category of asset concerned.

A. Financial assets recorded at amortised cost

Impairment is equal to the difference between the asset's net carrying amount and the discounted value of projected future cash flows expected to be generated as determined using the original effective interest rate of the financial instrument. 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. Available-for-sale financial assets

If there is a significant long-term decrease in the fair value of available-for-sale financial assets, the unrealised loss is reclassified from equity to income. If, in a subsequent period, the fair value of an available-for-sale financial asset increases, the increase in value is recorded in equity for equity instruments, while for debt instruments, the impairment previously recorded is reversed and transferred to the statement of profit or loss.

1.10 Inventories

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.

1.11 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.

1.12 Revenue and trade receivables

Revenue consists of sales of retail goods, sales of goods and services produced by the Group's main business operations, and income from royalties, licences and operating subsidiaries.

Revenue is recognised:

- ◆ when the major risks and benefits inherent in the ownership of goods are transferred to the buyer;
- ◆ when the amount of revenue can be measured reliably;
- ◆ when any volume or trade discounts and other benefits on sales are deducted from revenue (separability principle);
- ◆ when, at the transaction date, it is probable that the amount of the sale will be recovered.

In general, sales of goods are accounted for on delivery, sales of services are accounted for on completion.

Credit risk arises from the potential inability of clients to meet their payment obligations. When there is objective evidence of impairment, the value of these obligations is adjusted at each closing period. An impairment expense is recognised in the statement of profit or loss when the carrying amount of the asset is higher than its recoverable amount.

1.13 Other non-recurring income and expenses

"Other non-recurring operating income and expenses" in the statement of profit or loss relates to major events which occurred during the year and produced a material financial impact. This item is presented separately from recurring operating income because it could give a misleading view of the Group's performance.

1.14 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 sector.

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.

1.15 Put options granted to non-controlling interest holders

In compliance with IAS 32, *Financial Instruments: presentation* when holders of minority 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 book value 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.

1.16 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.

1.17 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.

1.17.1 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 no provision was booked in this respect, as the Group has no obligations other than the contributions paid.

1.17.2 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. 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 updated 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;
- ◆ the financial income on the hedge assets.

Changes in actuarial assumptions and experience effects give rise to actuarial gains or losses, the total of which is recorded under “Other comprehensive income” over the period during which they were recognised.

1.17.3 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.

1.18 Income tax

Income tax expense includes:

- ◆ the current tax for the financial year of the consolidated companies;
- ◆ 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.

1.18.1 Deferred tax

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.

1.18.2 Tax consolidation

Since 1st 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.

1.19 Adjustment of depreciation, amortisation and impairment

The impact of accounting entries booked net of deferred tax solely to comply with tax legislation is eliminated from the consolidated financial statements.

These adjustments mainly relate to restricted provisions and accelerated depreciation in French companies, and to impairment of inventories and doubtful receivables in foreign companies.

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 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 of 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 Option plans and similar

Stock subscription or purchase option plans or bonus 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.

For the bonus share allocation plans, 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 and subject to the deduction of the amount of the advance dividends over the vesting period, as well as a non-assignability discount, where relevant.

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 1.7, 11 and 12);
- ◆ impairment of inventories (see Notes 1.10 and 17);
- ◆ provisions (see Notes 1.16 and 23);
- ◆ post employment and other employee benefit obligations (see Notes 1.17 and 25);
- ◆ income taxes (see Notes 1.18 and 8);
- ◆ share-based payments (see Notes 1.21 and 30).

1.23 Subsequent events

The Hermès group, which inaugurated its new flagship store at Landmark Prince's in Hong Kong on 10 January 2018, signed a promise of sale on February 15 for the premises of its former Galleria store, which it owned. Due to be finalised in April, this transaction could generate a net capital gain of around €50 million in the 2018 financial year.

NOTE 2 ANALYSIS OF THE MAIN CHANGES IN THE SCOPE OF CONSOLIDATION

No significant change in the scope of consolidation occurred during financial year 2017.

NOTE 3 SEGMENT INFORMATION

The information below is shown after consolidation adjustments and eliminations (see Note 1.14).

3.1 Statement of profit or loss by geographical area

In millions of euros	2017							Total
	France	Europe (excluding France)	Japan	Asia-Pacific (excluding Japan)	Americas	Other	Holding	
Revenue	754.9	1,044.1	716.6	1,946.0	995.8	91.8		5,549.2
Operating income	270.6	294.5	255.0	865.2	350.9	12.7	(126.9)	1,922.0
Operating profitability by segment	35.8%	28.2%	35.6%	44.5%	35.2%	13.8%		34.6%
Operating investments	121.8	28.8	9.4	53.2	41.0	-	10.9	265.2
Non-current assets ¹	801.5	163.2	156.6	272.7	200.6	31.3	51.9	1,678.0

(1) Non-current assets other than financial instruments and deferred tax assets.

In millions of euros	2016							Total
	France	Europe (excluding France)	Japan	Asia-Pacific (excluding Japan)	Americas	Other	Holding	
Revenue	719.2	963.7	724.1	1,777.8	940.8	76.7		5,202.2
Operating income	241.0	253.2	251.0	743.7	297.4	14.1	(103.9)	1,696.5
Operating profitability by segment	33.5%	26.3%	34.7%	41.8%	31.6%	18.4%		32.6%
Operating investments	126.0	32.3	7.1	47.2	39.4	-	10.1	262.1
Non-current assets ¹	793.1	187.7	171.3	275.1	228.0	32.9	35.5	1,723.7

(1) Non-current assets other than financial instruments and deferred tax assets.

3.2 Revenue by sector

The breakdown of revenue by sector is as follows:

In millions of euros	2017	2016
Leather Goods and Saddlery	2,800.3	2,603.7
Ready-to-wear and Accessories	1,181.1	1,099.1
Silk and Textiles	534.3	515.3
Other Hermès business lines	365.0	336.0
Perfumes	287.5	261.9
Watches	157.5	157.9
Other products	223.4	228.3
REVENUE	5,549.2	5,202.2

NOTE 4 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 5 SELLING, MARKETING AND ADMINISTRATIVE EXPENSES

<i>In millions of euros</i>	2017	2016
Communication	(275.5)	(242.3)
Other selling, marketing and administrative expenses	(1,380.9)	(1,303.0)
TOTAL	(1,656.3)	(1,545.3)

NOTE 6 OTHER INCOME AND EXPENSES

<i>In millions of euros</i>	Note	2017	2016
Amortisation		(167.1)	(168.1)
Net change in recurring provisions		(32.2)	(23.2)
Cost of defined-benefit plans	25	(16.6)	(16.6)
Sub-total		(48.8)	(39.8)
Impairment losses		(41.9)	(30.3)
Expenses linked to bonus share allocation plans and similar expenses	30	(74.8)	(60.6)
Other expenses		(25.9)	(12.9)
Other products		47.0	33.1
Sub-total		(95.7)	(70.6)
TOTAL		(311.6)	(278.5)

Total depreciation and amortisation of tangible and intangible assets included in operating expenses (“Other income and expenses” and “Cost of sales”) amounted to €201.1 million in 2017, compared with €201.8 million in 2016.

NOTE 7 NET FINANCIAL INCOME

<i>In millions of euros</i>	2017	2016
Income from cash and cash equivalents	7.0	5.6
Cost of gross financial debt	1.6	(1.5)
♦ of which net income/(loss) on hedging instruments	3.4	0.6
Cost of net financial debt	8.6	4.2
Other financial income and expenses	(40.8)	(51.9)
♦ of which ineffective portion of cash flow hedges	(57.8)	(52.7)
TOTAL	(32.2)	(47.8)

The ineffective portion of cash flow hedges includes +€1.7 million in over-hedging, compared with -€1.1 million in over-hedging in 2016.

The impact of the effective portion of the hedges recorded in equity is shown in Note 20.3.

NOTE 8 INCOME TAX

8.1 Breakdown of income tax

<i>In millions of euros</i>	2017	2016
Current tax	(689.6)	(612.5)
Deferred tax	20.4	57.0
TOTAL	(669.3)	(555.5)

8.2 Rationalisation of income tax expense

The effective tax rate was 35.4% as at 31 December 2017, compared with 33.7% as at 31 December 2016.

The difference between the theoretical tax expense and the actual tax expense is explained as follows:

<i>In millions of euros</i>	2017	2016
Net income attributable to owners of the parent	1,221.5	1,100.3
Net income from associates	5.3	10.9
Net income attributable to non-controlling interests	(4.3)	(3.9)
Tax expense	(669.3)	(555.5)
Net income before tax	1,889.8	1,648.8
Effective tax rate	35.4%	33.7%
Current tax rate in France ¹	34.4%	34.4%
Theoretical tax expense	(650.6)	(567.7)
<i>Reconciliation items:</i>		
♦ differences relating to foreign taxation (primarily the tax rate)	79.3	64.6
♦ permanent and miscellaneous differences ²	(98.0)	(52.4)
TOTAL	(669.3)	(555.5)

(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 of reduced and majored rate on tax expense, of tax loss carry forward used/not activated, and of tax on distributed dividends and of prior year adjustments. This line also includes the impact of tax credits, distribution taxes, audits and tax risks. In October 2017, the French Constitutional Council invalidated the tax on dividends (3% of distributed amounts). Over the financial year, the two exceptional contributions of 15% each due in France (according to the threshold of revenue obtained), net of the reimbursement to receive from the tax on dividends, represent a net expense of €20 million.

8.3 Deferred tax

The net change in deferred tax assets and liabilities is broken down as follows:

<i>In millions of euros</i>	2017	2016
Deferred tax assets at 1st January	430.4	360.3
Deferred tax liabilities at 1st January	49.0	50.7
Net deferred tax assets at 1st January	381.4	309.6
Impact on statement of profit or loss	20.4	57.0
Impact on scope of consolidation	-	-
Impact of exchange rate movements	(18.5)	4.1
Others ¹	(80.3)	10.7
Net deferred tax assets at the end of the period	303.0	381.4
Balance of deferred tax assets at the end of the period	349.8	430.4
Balance of deferred tax liabilities at the end of the period	46.8	49.0

(1) Other items primarily involve the deferred tax change resulting from revaluations recorded in equity (investments and financial investments and hedging of future cash flows) and in actuarial gains and losses on employee benefit obligations. These changes had no impact on net income for the year (see Note 20.4).

Deferred taxes mainly related to the following adjustments:

<i>In millions of euros</i>	2017	2016
Internal margins on inventories and provisions for inventories	247.8	263.0
Employee benefits	55.9	63.1
Derivatives	(51.9)	12.1
Impairment losses	20.4	17.1
Regulated provisions	(42.9)	(40.8)
Other	73.7	66.9
TOTAL	303.0	381.4

As at 31 December 2017, tax loss carry-forwards and other temporary differences that did not lead to the recognition of deferred tax assets represented potential tax savings of €50.7 million (compared with €48.6 million in 2016).

NOTE 9 NET EARNINGS PER SHARE

In accordance with the definitions set out in Note 1.20, the calculation and reconciliation of basic earnings per share and diluted earnings per share is as follows:

	2017	2016
Numerator (in millions of euros)		
Basic net income	1,221.5	1,100.3
Adjustments	-	-
Diluted net income	1,221.5	1,100.3
Denominator (in number of shares)		
Weighted average number of ordinary shares	104,435,755	104,518,900
Basic earnings per share	11.70	10.53
Dilutive effect of stock option plans		
Dilutive effect of free share plans	725,045	600,449
Weighted average number of diluted ordinary shares	105,160,800	105,119,349
Diluted earnings per share	11.62	10.47
Annual average price per share	€433.02	€345.52

NOTE 10 GOODWILL

10.1 Change in the year

<i>In millions of euros</i>	31/12/2016	Increases	Decreases	Exchange rate impact	Other	31/12/2017
Goodwill	146.1	-	-	(7.1)	-	139.0
TOTAL GROSS VALUES	146.1	-	-	(7.1)	-	139.0
Amortisation recognised before 1st January 2004	32.9		-	(3.0)		29.9
Impairment losses	76.5		-	(2.3)	1.9	76.1
TOTAL AMORTISATION AND IMPAIRMENT	109.5	-	-	(5.3)	1.9	106.0
TOTAL NET VALUES	36.6	-	-	(1.8)	(1.9)	32.9

There was no material change in the net value of goodwill during the year.

10.2 Impairment tests

As at 31 December 2017, the net value of goodwill concerns the CGU of the Distribution entities (€23.8 million) and the CGUs of the Group's Production entities (€9.1 million).

Within the CGU of the Distribution entities, the main goodwill is that of Hermès Japan, which stands at €14.7 million. The pre-tax discount rate

applied to projected cash flows for Japan is 9.8%. The annual asset impairment test of this asset as well as those of the other non-significant goodwill of this CGU do not bring to light any probable scenario according to which the CGU's recoverable amount becomes lower than the net carrying amount.

Individually, the other goodwill figures are not significant and do not bring to light any reasonably possible impairment scenario.

NOTE 11 INTANGIBLE ASSETS

<i>In millions of euros</i>	31/12/2016	Increases ¹	Decreases	Exchange rate impact	Other	31/12/2017
Leasehold rights	67.2	-	-	(1.7)	-	65.5
Concessions, patents, licences and software	178.6	33.3	(11.8)	(1.9)	17.6	215.9
Other intangible assets	85.5	1.6	(1.0)	(1.6)	0.2	84.7
Assets under construction	22.1	14.4	-	(0.0)	(20.6)	15.8
TOTAL GROSS VALUES	353.5	49.3	(12.8)	(5.3)	(2.8)	381.9
Amortisation of leasehold rights	41.2	2.1	-	(11)	(2.7)	39.5
Amortisation of concessions, patents, licences and software	116.0	25.6	(6.3)	(1.5)	0.4	134.0
Amortisation of other intangible assets	63.9	6.4	(1.0)	(1.6)	2.1	69.9
Impairment losses	10.3	1.7	(5.4)	0.0	(0.1)	6.5
TOTAL AMORTISATION AND IMPAIRMENT	231.4	35.8	(12.8)	(4.2)	(0.3)	250.0
TOTAL NET VALUES	122.1	13.4	(0.0)	(1.1)	(2.5)	131.9

(1) Investments mainly concern the acquisition and/or implementation of integrated management software packages.

NOTE 12 PROPERTY, PLANT AND EQUIPMENT

<i>In millions of euros</i>	31/12/2016	Increases ¹	Decreases	Exchange rate impact	Other	31/12/2017
Land	170.0	-	-	(11.6)	-	158.4
Buildings	819.3	29.4	(24.6)	(32.3)	28.6	820.3
Industrial machinery, plant and equipment	299.5	21.3	(14.3)	(3.6)	(1.0)	301.9
Store fixtures and furnishings	752.3	46.9	(24.4)	(52.5)	47.1	769.4
Other property, plant and equipment assets	344.4	30.1	(10.9)	(5.2)	(16.9)	341.5
Assets under construction	68.7	88.3	(0.7)	(3.6)	(61.5)	91.3
TOTAL GROSS VALUES	2,454.2	216.0	(74.9)	(108.8)	(3.8)	2,482.8
Depreciation of buildings	298.2	31.7	(6.8)	(12.1)	(8.5)	302.6
Depreciation of plant, machinery and equipment	167.9	22.2	(14.2)	(1.6)	0.6	174.8
Depreciation of store fixtures and furnishings	385.1	78.1	(39.7)	(26.7)	30.8	427.6
Depreciation of other property, plant and equipment	211.6	34.0	(10.6)	(3.6)	(18.2)	213.1
Impairment losses ²	56.9	38.6	(0.2)	(2.9)	(11.0)	81.3
TOTAL AMORTISATION AND IMPAIRMENT	1,119.6	204.7	(71.6)	(46.9)	(6.3)	1,199.5
TOTAL NET VALUES	1,334.6	11.3	(3.3)	(61.9)	2.5	1,283.3

(1) Investments made in 2017 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.

NOTE 13 INVESTMENT PROPERTY

<i>In millions of euros</i>	31/12/2016	Increases	Decreases	Exchange rate impact	Other	31/12/2017
Land	30.6	-	-	(1.0)	(0.0)	29.7
Buildings	72.3	-	-	(2.2)	0.0	70.1
TOTAL GROSS VALUES	103.0	-	-	(3.2)	-	99.8
Amortisation	17.1	2.2	-	0.6	-	20.0
TOTAL NET VALUES	85.8	(2.2)	-	(3.8)	-	79.8

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 €11.4 million in the year.

As at 31 December 2017, the fair value of the investment properties was greater than €100 million. This estimate is based on evaluation works performed by independent experts with sufficient frequency. The evaluations are notably based on real estate operations involving comparable assets and on indicators established by professionals or recognised institutions.

NOTE 14 FINANCIAL ASSETS

<i>In millions of euros</i>	31/12/2016	Increases ¹	Decreases	Exchange rate impact	Other ²	31/12/2017
Financial investments and accrued interest	28.8	142.7	(10.5)	(4.9)	111.0	267.3
Liquidity contract	10.9	-	(0.2)	-	-	10.6
Other non-consolidated investments	0.6	0.9	(0.1)	-	(0.4)	1.0
TOTAL GROSS VALUES	40.3	143.6	(10.9)	(4.9)	110.6	278.9
Impairments	8.5	-	(0.5)	-	-	8.0
TOTAL NET VALUES	31.9	143.6	(10.4)	(4.9)	110.6	270.9

(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 available-for-sale financial assets are recorded in "Revaluation adjustments" in equity (see Note 20.3 -), in compliance with the method described in Note 1.9.

NOTE 15 INVESTMENTS IN ASSOCIATES

<i>In millions of euros</i>	2017	2016
Balance as at 1st January	87.3	85.4
Impact of changes in scope of consolidation	(0.1)	4.6
Net income from associates	5.3	10.9
Dividends paid	(18.1)	(14.1)
Exchange rate fluctuations	(2.0)	0.6
Other	-	-
Balance as at 31 December	72.5	87.3

NOTE 16 LOANS AND DEPOSITS

<i>In millions of euros</i>	31/12/2016	Increases	Decreases	Exchange rate impact	Other	31/12/2017
Loans and deposits ¹	62.2	6.0	(2.6)	(4.3)	0.5	61.8
Impairments	14.7	0.5	-	(0.9)	-	14.2
TOTAL	47.5	5.5	(2.6)	(3.3)	0.5	47.6

(1) Security deposits amounted to €39.1 million as at 31 December 2017, compared with €39.3 million as at 31 December 2016.

NOTE 17 INVENTORIES AND WORK-IN-PROGRESS

<i>In millions of euros</i>	31/12/2017			31/12/2016		
	Gross	Impairment	Net	Gross	Impairment	Net
Retail, intermediate and finished goods	947.3	412.8	534.4	1,029.5	448.1	581.5
Raw materials and work-in-progress	571.0	209.2	361.8	547.9	214.3	333.6
TOTAL	1,518.3	622.1	896.2	1,577.4	662.4	915.1
Net income/(expense) from impairment of retail, intermediate and finished goods	-	14.8	-	-	(38.5)	-
Net income/(expense) from impairment of raw materials and work in progress	-	1.2	-	-	(59.8)	-

No inventories were offered as collateral to secure financial debt.

NOTE 18 TRADE AND OTHER RECEIVABLES

In millions of euros	31/12/2017			31/12/2016
	Gross	Impairment	Net	Net
Trade and other receivables	261.8	5.9	255.9	307.2
of which: ♦ not yet due	227.7	0.3	227.4	264.5
♦ due ¹	34.1	5.6	28.5	42.7
Tax receivables	32.6	-	32.6	22.7
Other assets	253.4	0.4	253.0	198.4
Other non-current assets	29.2	0.3	29.0	9.5
TOTAL	577.0	6.5	570.4	537.8

(1) The amount of trade and other receivables payable is broken down as follows:

	31/12/2017			31/12/2016
	Gross	Impairment	Net	Net
Under 3 months	26.7	1.5	25.2	35.4
Between 3 and 6 months	4.4	1.1	3.2	3.1
Over 6 months	3.0	3.0	(0.0)	4.2

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 risk of non-recovery is low, as evidenced by accounts receivable impairment, which amounted to 2% of the gross value at the end of 2017 (2% end of 2016). There is no significant concentration of credit risk.

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NOTE 19 CASH AND CASH EQUIVALENTS

19.1 Change in net cash position

In millions of euros	31/12/2016	Cash flows	Exchange rate impact	Impact on scope of consolidation	Others ¹	31/12/2017
Cash and cash equivalents	990.2	52.7	(38.4)	0.1	1.2	1,005.9
Marketable securities ²	1,338.0	602.8	(14.3)	-	-	1,926.5
Sub-total	2,328.3	655.5	(52.8)	0.1	1.2	2,932.4
Bank overdrafts and current accounts in debit	(8.4)	(12.3)	0.0	(0.0)	-	(20.7)
NET CASH POSITION	2,319.8	643.2	(52.7)	0.1	1.2	2,911.7

(1) Corresponds with the mark-to-market on cash and cash equivalents.

(2) Primarily invested in money market UCITS 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%.

The gains and losses generated through disposal of marketable securities during the financial year and recorded through profit or loss were equal to -€0.2 million in 2017 (versus €0.2 million in 2016). No unrealised gain or loss existed as at 31 December 2017.

19.2 Change in working capital requirements related to the activity

<i>In millions of euros</i>	31/12/2016	Change in working capital requirements related to the activity	Other cash flows	Exchange rate impact	Impact of revaluation of financial and hedging instruments	Other	31/12/2017
Inventories and work-in-progress	915.1	26.7	-	(29.0)	-	(16.6)	896.2
Trade and other receivables	307.2	(16.2)	-	(10.2)	(23.2)	(1.8)	255.9
Other current assets	198.4	62.4	-	(5.1)	(0.4)	(2.3)	253.0
Other non-current assets	9.0	(0.2)	-	(0.0)	-	-	8.8
Available-for-sale securities (excluding liquidity contract and forward financial investments)	0.7	0.4	-	-	-	0.0	1.1
Loans and deposits	61.9	3.0	-	(4.2)	-	0.5	61.1
Deferred tax assets	264.5	(1.3)	-	(14.0)	-	(1.4)	247.9
Trade payables (excluding debt on fixed assets)	(423.0)	(19.5)	-	11.2	5.5	0.5	(425.4)
Other liabilities and miscellaneous (excluding current tax expense)	(575.9)	(94.8)	-	20.2	(0.4)	17.5	(633.3)
Net financial derivatives	(13.3)	4.7	-	0.1	97.2	(6.5)	82.3
Change in working capital requirements related to the activity	744.6	(34.7)	-	(31.0)	78.7	(10.0)	747.6

NOTE 20 EQUITY

As at 31 December 2017, Hermès International's share capital consisted of 105,569,412 fully paid shares with a par value of €0.51 each, of which 1,415,702 treasury shares.

In financial year 2017, the following treasury share movements occurred:

- ◆ buyback of 433,242 shares for €187.5 million, excluding movements under the liquidity contract;
- ◆ purchase and sale of shares as part of the liquidity agreement, with zero change for the financial year;
- ◆ delivery of 97,200 bonus 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 part of financial instruments that has been transferred to equity as well as actuarial gains and losses, as defined in Notes 1.9 and 1.17.

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.

Lastly, the parent company, Hermès International, is governed by French laws on capital requirements. Equity must be greater than or equal to at least half of the share capital. If it drops below this level, an Extraordinary General Meeting must be called to approve the measures required to remedy this situation. Hermès International has never been in this position and has always met this requirement.

20.1 Dividends

An ordinary dividend of €3.75 per share was paid, representing a total amount of €392.0 million, after having been approved by the shareholders at the General Meeting held on 6 June 2017 called to approve the financial statements for the year ended 31 December 2016.

20.2 Foreign currency adjustments

The change in foreign currency adjustments in 2017 is analysed below:

<i>In millions of euros</i>	31/12/2017	31/12/2016
Balance as at 1st January	163.3	165.3
Yen	(15.8)	9.0
US dollar	(64.0)	16.0
Yuan	(6.2)	(3.7)
Rouble	(1.0)	3.1
Pound sterling	(8.0)	(31.5)
Macao pataca	(7.7)	1.9
Swiss franc	(10.2)	1.5
Singapore dollar	(10.9)	1.4
Hong Kong dollar	(30.1)	(0.9)
Other currencies	4.4	1.1
Balance as at 31 December	13.8	163.3

20.3 Revaluation adjustments

2017 movements in derivatives and financial investments (future cash flow hedges in currencies) break down as follows (after tax):

<i>In millions of euros</i>	2017	2016
Balance as at 1st January	2.8	22.2
Amount transferred to equity in the year in respect of derivatives	6.3	(1.9)
Amount transferred to equity in the year in respect of financial investments	0.0	0.0
Revaluation of derivatives	59.4	(6.3)
Revaluation of financial investments	72.7	0.0
Other deferred foreign exchange gains/(losses) recognised in comprehensive income	(9.9)	(11.1)
Balance as at 31 December	131.4	2.8

20.4 Income and expenses recognised directly in equity

In 2017, income and expenses recognised directly in equity was broken down as follows:

<i>In millions of euros</i>	Note	Gross impact	Tax effect	Net impact
Actuarial gains and losses	25.3.4	3.4	(12.0)	(8.6)
Foreign currency adjustments	20.2	(149.6)	-	(149.6)
Revaluation adjustments	20.3	196.2	(67.6)	128.6
Other items		-	-	-
Balance as at 31 December 2017		50.0	(79.6)	(29.6)

And for the year 2016

<i>In millions of euros</i>	Note	Gross impact	Tax effect	Net impact
Actuarial gains and losses	25.3.4	(14.4)	3.1	(11.3)
Foreign currency adjustments	20.2	(2.3)	-	(2.3)
Revaluation adjustments	20.3	(29.0)	9.7	(19.4)
Other items		-	-	-
Balance as at 31 December 2016		(45.7)	12.7	(32.9)

NOTE 21 NON-CONTROLLING INTERESTS

<i>In millions of euros</i>	2017	2016
Balance as at 1st January	2.2	6.7
Net income attributable to non-controlling interests	4.3	3.9
Dividends paid to non-controlling interests	(2.6)	(4.1)
Foreign currency translation adjustments on foreign entities	(0.1)	(0.2)
Other changes	2.8	(4.2)
Balance as at 31 December	6.6	2.2

NOTE 22 EXPOSURE TO MARKET RISKS

22.1 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. Lastly, the Group has no exposure to any material risk of dependence on a single counterparty.

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.

22.2 Foreign exchange risk

The Group 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 currencies other than the euro (American dollars, Japanese yen and other Asian currencies, etc.). It hedges this exposure in order to minimise 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, which automatically concentrates the foreign exchange risk on the manufacturing subsidiaries;
- ◆ 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.

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 Internal Audit department ascertains 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 next 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.

22.2.1 Net currency position

In millions of euros	As at 31/12/2017					
	Monetary assets/ (liabilities) ¹	Future cash flows	Net position before hedging	Derivatives ²	Net position after hedging	Hedging ratio
Yuan	120.7	248.6	369.3	(336.9)	32.4	91%
Singapore dollar	52.1	228.1	280.2	(273.4)	6.8	98%
Yen	22.3	241.1	263.4	(266.2)	(2.8)	101%
US dollar	(118.1)	376.9	258.9	(269.0)	(10.1)	104%
Hong Kong dollar	19.0	189.8	208.8	(222.6)	(13.8)	107%
Euro ³	4.9	63.5	68.4	(76.4)	(8.0)	112%
Canadian dollar	7.5	36.8	44.4	(42.1)	2.3	95%
Swiss franc	4.7	37.6	42.3	(46.5)	(4.2)	110%
Australian dollar	6.4	27.4	33.8	(28.5)	5.3	84%
Pound sterling	(71.3)	102.4	31.1	(37.2)	(6.2)	120%
Thai baht	3.0	23.9	26.9	(26.9)	(0.0)	100%
Rouble	6.3	13.7	20.0	(16.9)	3.1	85%
Danish krone	7.2	7.7	14.8	(14.9)	(0.1)	101%
Brazilian real	5.9	6.5	12.5	(10.0)	2.5	80%
Malaysian ringgit	-	11.4	11.4	(11.4)	-	100%
Mexican peso	1.7	9.2	10.9	(10.5)	0.4	97%
South Korean won	(0.1)	(10.5)	(10.6)	10.5	(0.1)	99%
Turkish lira	0.1	7.0	7.1	(7.6)	(0.5)	108%
Indian rupee	1.8	5.0	6.7	(4.6)	2.1	69%
Czech crown	0.7	4.5	5.2	(5.2)	(0.0)	100%
Emirati dirham	(0.8)	(4.1)	(4.9)	4.7	(0.3)	95%
Swedish krona	0.0	1.3	1.3	(1.3)	0.0	97%
Argentine peso	0.8	-	0.8	-	0.8	
Norwegian krone	0.1	0.4	0.5	(0.4)	0.1	83%
New Polish zloty	(0.1)	-	(0.1)	-	(0.1)	
SUMMARY	74.8	1,628.2	1,703.1	(1,693.4)	9.6	99%

(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.

In millions of euros	As at 31/12/2016					
	Monetary assets/ (liabilities) ¹	Future cash flows	Net position before hedging	Derivatives ²	Net position after hedging	Hedging ratio
US dollar	(46.1)	394.2	348.1	(382.8)	(34.7)	110%
Yuan	118.6	192.6	311.2	(281.8)	29.3	91%
Yen	23.5	237.8	261.3	(254.6)	6.6	97%
Singapore dollar	43.8	209.9	253.6	(248.8)	4.9	98%
Hong Kong dollar	(82.0)	195.8	113.8	(122.4)	(8.6)	108%
Euro ³	12.9	58.8	71.7	(68.0)	3.7	95%
Pound sterling	(18.7)	79.3	60.6	(56.5)	4.1	93%
Swiss franc	11.2	35.1	46.3	(44.9)	1.4	97%
Canadian dollar	4.5	35.0	39.4	(38.7)	0.7	98%
Australian dollar	3.9	23.6	27.6	(26.3)	1.3	95%
Rouble	4.3	21.9	26.3	(25.8)	0.5	98%
Thai baht	3.6	22.0	25.6	(25.4)	0.3	99%
South Korean won	(0.2)	(10.0)	(10.2)	10.0	(0.2)	98%
Mexican peso	0.6	8.8	9.4	(9.1)	0.3	97%
Brazilian real	1.4	6.7	8.1	(6.7)	1.4	83%
Turkish lira	(0.0)	6.0	6.0	(6.0)	0.0	100%
Indian rupee	0.6	4.6	5.2	(4.7)	0.5	91%
Czech crown	0.1	4.1	4.2	(4.1)	0.1	98%
Danish krone	0.0	3.8	3.9	(3.8)	0.0	99%
Emirati dirham	0.0	(3.0)	(3.0)	2.9	(0.1)	97%
Argentine peso	1.1	-	1.1	-	1.1	-
Swedish krona	0.1	-	0.1	-	0.1	-
SUMMARY	83.1	1,527.2	1,610.3	(1,597.6)	12.6	99%

(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.

22.2.2 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 -€134.6 million decrease in equity (before tax) in the fair value reserve. An impairment of 10% would have an impact of +€134.5 million (before tax).

Moreover, a 10% appreciation in the currencies to which the Group is exposed would have led to a €1.1 million increase in net income at the closing date. A 10% depreciation would have led to a -€0.9 million decrease in net income.

22.2.3 Analysis of currency agreements

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 2017 ¹			
			Future cash flow hedge	Fair value hedge	Unallocated	Total
Options purchased						
US dollar put	34.0	34.0	3.3	-	-	3.3
US dollar collar	135.9	135.9	12.8	-	-	12.8
Chinese yuan put	12.2	12.2	0.9	-	-	0.9
Chinese yuan collar	85.5	85.5	4.8	-	-	4.8
Japanese yen put	23.1	23.1	2.1	-	-	2.1
Yen dollar collar	115.6	115.6	10.2	-	-	10.2
Singapore dollar put	16.2	16.2	0.9	-	-	0.9
Singapore dollar collar	113.1	113.1	5.4	-	-	5.4
Hong Kong dollar put	22.5	22.5	2.2	-	-	2.2
Hong Kong dollar collar	90.1	90.1	8.6	-	-	8.6
	648.2	648.2	51.4	-	-	51.4
Forward currency agreements ²						
US dollar	210.7	210.7	11.5	-	(0.0)	11.4
Yuan	150.9	149.0	(0.3)	-	(0.0)	(0.4)
Yen	102.4	102.4	7.8	-	-	7.8
Singapore dollar	98.7	99.0	1.1	-	(0.0)	1.1
Hong Kong dollar	77.1	77.1	6.1	-	(0.0)	6.1
Euro ³	63.5	63.5	(1.5)	-	-	(1.5)
Pound sterling	102.3	102.3	1.0	-	(0.0)	1.0
Canadian dollar	36.8	36.8	0.9	-	-	0.9
Thai baht	23.7	23.7	(0.4)	-	-	(0.4)
Rouble	13.7	13.7	0.4	-	-	0.4
Swiss franc	37.6	37.6	2.7	-	0.0	2.7
Australian dollar	27.4	27.4	0.3	-	-	0.3
South Korean won	(10.5)	(10.5)	0.3	-	-	0.3
Brazilian real	10.0	10.0	0.7	-	-	0.7
Mexican peso	9.2	9.2	0.7	-	-	0.7
Malaysian ringgit	11.4	11.4	(0.4)	-	-	(0.4)
Danish krone	7.7	7.7	0.0	-	-	0.0
Turkish lira	7.0	7.0	0.5	-	-	0.5
Other	6.8	6.8	(0.3)	-	(0.0)	(0.3)
	986.3	984.6	30.9	-	(0.0)	30.9
Currency swaps ²						
US dollar	(111.5)	(119.5)	(0.6)	-	0.2	(0.5)
Yuan	88.2	85.9	0.2	-	(0.0)	0.2
Yen	25.0	22.3	0.3	-	0.0	0.3
Singapore dollar	45.5	45.9	0.3	-	(0.0)	0.3
Hong Kong dollar	32.8	32.8	0.7	-	0.0	0.7
Pound sterling	12.9	12.9	(0.0)	-	-	(0.0)
Euro ³	(65.1)	(71.2)	0.4	-	0.0	0.4
Swiss franc	5.2	5.2	(0.0)	-	-	(0.0)
Canadian dollar	3.2	2.9	0.0	-	0.0	0.0
Thai baht	3.2	3.2	(0.0)	-	-	(0.0)
Rouble	8.9	4.8	0.0	-	0.0	0.0
Australian dollar	7.3	7.0	0.0	-	0.0	0.0
Other	3.2	2.8	0.0	-	0.0	0.0
	59.0	35.0	1.2	-	0.2	1.4
TOTAL	1,693.4	1,667.8	83.5	-	0.2	83.7

(1) Gain/(Loss).

(2) Sales/(Purchases).

(3) Euro foreign exchange risk for subsidiaries having 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 31/12/2016 ¹			
			Future cash flow hedge	Fair value hedge	Unallocated	Total
Options purchased						
US dollar put	36.5	36.5	0.5			0.5
US dollar collar	182.7	182.7	(1.8)			(1.8)
Chinese yuan put	12.6	12.6	0.8			0.8
Chinese yuan collar	82.0	82.0	4.1			4.1
Japanese yen put	22.7	22.7	1.2			1.2
Yen calls						-
Japanese yen collar	100.5	100.5	3.2			3.2
Singapore dollar put	20.4	20.4	0.6			0.6
Singapore dollar collar	132.5	132.5	2.7			2.7
Hong Kong dollar put	23.5	23.5	0.4			0.4
Hong Kong dollar collar	117.5	117.5	(0.9)			(0.9)
	730.8	730.8	10.7	-	-	10.7
Forward currency agreements ²						
US dollar	164.2	178.4	(7.3)		(0.2)	(7.5)
Yuan	98.1	98.1	(0.6)		0.0	(0.6)
Yen	114.7	114.7	2.8		0.0	2.8
Singapore dollar	55.2	56.5	(4.5)		0.0	(4.5)
Hong Kong dollar	54.6	54.6	(6.9)		(0.1)	(7.0)
Pound sterling	79.3	79.3	4.5		0.0	4.5
Euro ³	58.8	58.8	1.5			1.5
Swiss franc	35.1	35.1	(0.5)		0.0	(0.5)
Canadian dollar	35.0	35.0	(1.4)		(0.0)	(1.4)
Thai baht	21.9	21.9	(1.1)			(1.1)
Rouble	21.9	21.9	(3.6)		0.0	(3.6)
South Korean won	(10.0)	(10.0)	0.1		(0.0)	0.1
Australian dollar	23.6	23.6	(0.6)		-	(0.6)
Other	31.1	31.1	(1.0)		(0.1)	(1.1)
	783.5	799.1	(18.5)	-	(0.3)	(18.9)
Currency swaps ²						
US dollar	(0.6)	(24.2)	(1.7)		(0.3)	(2.0)
Yuan	89.2	88.6	(0.4)		(0.0)	(0.4)
Yen	16.8	16.8	0.1		-	0.1
Singapore dollar	40.7	40.7	0.2		0.0	0.2
Hong Kong dollar	(73.2)	(73.4)	(0.4)		(0.0)	(0.4)
Pound sterling	(22.8)	(22.8)	(0.5)		-	(0.5)
Euro ³	9.1	10.9	(0.1)		0.0	(0.0)
Swiss franc	9.8	9.8	(0.0)		0.0	(0.0)
Canadian dollar	3.7	3.5	0.1		0.0	0.1
Thai baht	3.5	3.5	(0.0)		-	(0.0)
Rouble	3.9	3.9	(0.1)		-	(0.1)
Australian dollar	2.7	2.6	0.1		0.0	0.1
Other	0.5	0.5	(0.0)		-	(0.0)
	83.3	60.4	(2.7)	-	(0.3)	(3.0)
TOTAL	1,597.6	1,590.3	(10.6)	-	(0.6)	(11.2)

(1) Gain/(Loss).

(2) Sales/(Purchases).

(3) Euro foreign exchange risk for subsidiaries having a different functional currency.

22.3 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

2011. 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 recommendations of the AMF. As at 31 December 2017, 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.

In millions of euros	As at 31/12/2017					
	< 1 year	1 to 5 years	> 5 years	Total	Floating rate	Fixed rate
Financial assets	2,931.9	-	-	2,931.9	1,082.3	1,849.6
Euro	2,230.1	-	-	2,230.1	667.5	1,562.6
Yuan	108.8	-	-	108.8	19.8	89.0
US dollar	166.7	-	-	166.7	161.7	5.0
Yen	52.4	-	-	52.4	52.4	-
Other	374.0	-	-	374.0	181.0	193.0
Financial liabilities ¹	30.1	2.6	-	32.8	31.6	1.1
Euro	21.0	1.0	-	22.0	20.9	1.1
Yen	-	-	-	-	-	-
Other ²	9.1	1.6	-	10.7	10.7	-
Net cash position before hedging	2,901.7	(2.6)	-	2,899.1	1,050.6	1,848.5
Net cash position after hedging	2,901.7	(2.6)	-	2,899.1	1,050.6	1,848.5

In millions of euros	As at 31/12/2017					
	< 1 year	1 to 5 years	> 5 years	Total	Floating rate	Fixed rate
Financial assets	2,931.9	-	-	2,931.9	1,082.3	1,849.6
Cash and cash equivalents	2,931.9	-	-	2,931.9	1,082.3	1,849.6
Financial liabilities ¹	30.1	2.6	-	32.8	31.6	1.1
Medium- and long-term financial debt	9.4	2.6	-	12.1	11.3	0.7
Bank overdrafts and short-term debt	20.7	-	-	20.7	20.3	0.4
Current accounts in debit	-	-	-	-	-	-
Net cash position before hedging	2,901.7	(2.6)	-	2,899.1	1,050.6	1,848.5
Net cash position after hedging	2,901.7	(2.6)	-	2,899.1	1,050.6	1,848.5

(1) Excluding commitments to acquire non-controlling interests (€20.9 million as at 31 December 2017).

(2) Mainly consists of long-term amortisable loans contracted by Hermès India Retail and Distributors, floating-rate loans taken out by Hermès Brazil and foreign subsidiaries' bank overdrafts.

In millions of euros	As at 31/12/2016					
	< 1 year	1 to 5 years	> 5 years	Total	Floating rate	Fixed rate
Financial assets	2,328.9	-	-	2,328.9	2,153.9	175.0
Euro	1,772.0	-	-	1,772.0	1,597.0	175.0
Yuan	72.9	-	-	72.9	72.9	-
US dollar	139.3	-	-	139.3	139.3	-
Yen	21.0	-	-	21.0	21.0	-
Other	323.7	-	-	323.7	323.7	-
Financial liabilities ¹	20.2	1.6	1.1	23.0	20.7	2.3
Euro	8.8	0.9	-	9.7	9.2	0.5
Yen	0.1	-	-	0.1	0.1	-
Other ²	11.4	0.7	1.1	13.2	11.3	1.8
Net cash position before hedging	2,308.7	(1.6)	(1.1)	2,305.9	2,133.3	172.7
Net cash position after hedging	2,308.7	(1.6)	(1.1)	2,305.9	2,133.3	172.7

In millions of euros	As at 31/12/2016					
	< 1 year	1 to 5 years	> 5 years	Total	Floating rate	Fixed rate
Financial assets	2,328.9	-	-	2,328.9	2,153.9	175.0
Cash and cash equivalents	2,328.9	-	-	2,328.9	2,153.9	175.0
Financial liabilities ¹	20.2	1.6	1.1	23.0	20.7	2.3
Medium- and long-term financial debt	-	1.6	1.1	2.7	1.6	1.1
Bank overdrafts and short-term debt	20.2	-	-	20.2	1.9	1.2
Current accounts in debit	-	-	-	-	-	-
Net cash position before hedging	2,308.7	(1.6)	(1.1)	2,305.9	2,133.3	172.7
Net cash position after hedging	2,308.7	(1.6)	(1.1)	2,305.9	2,133.3	172.7

(1) Excluding commitments to acquire non-controlling interests (€18.0 million as at 31 December 2016).

(2) Mainly consists of long-term amortisable fixed-rate loans taken out by Hermès India Retail and Distributors, floating-rate loans taken out by Hermès Brazil and foreign subsidiaries' bank overdrafts.

22.3.1 Equity risk

Investments in equities are not material at Group level. As such, the Group has no exposure to equity risk.

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".

22.3.2 Sensitivity to interest rate fluctuations

A uniform 1 percentage point increase in interest rates would have had a positive impact of €10.5 million on the consolidated net income before tax (€21.3 million in 2016).

22.4 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.

In millions of euros	Note	2017										
		Assets at fair value	Loans and receivables	Held-to-maturity assets	Available-for-sale assets	Liabilities at fair value	Liabilities at amortised cost	Net carrying amount	Fair value	Evaluation level	Interest rate	Effective interest rate
Financial investments	14	-	138.3	-	120.8	-	-	259.1	259.1	-	-	-
Liquidity contract	14	10.6	-	-	-	-	-	10.6	10.6	1	-	-
Other financial assets	14	-	-	0.0	-	-	-	0.0	0.0	-	-	-
Other non-consolidated investments	14	-	-	-	1.0	-	-	1.0	1.0	-	-	-
Held-to-maturity securities	14	-	-	-	-	-	-	-	-	-	-	-
Financial assets	14	10.6	138.3	0.0	121.9	-	-	270.8	270.8			
Loans and deposits	16	-	47.6	-	-	-	-	47.6	47.6	-	-	-
Trade and other receivables	18	-	570.4	-	-	-	-	570.4	570.4	-	-	-
Foreign currency derivative assets	22.2.3	101.1	-	-	-	-	-	101.1	101.1	2		
Cash and cash equivalents	19	974.9	1,957.0	-	-	-	-	2,931.9	2,931.9	1	-	-
Bank overdrafts	22	-	-	-	-	-	(20.7)	(20.7)	(20.7)	-	*	-
Loan Brazil	22	-	-	-	-	-	(9.0)	(9.0)	(9.0)	-	11.2%	11.2%
Loan India	22	-	-	-	-	-	(1.6)	(1.6)	(1.6)	-	8.6%	8.6%
Other borrowings	22	-	-	-	-	-	(1.1)	(1.1)	(1.1)	-	2.4%	2.4%
Current accounts in debit	22	-	-	-	-	-	-	-	-	-	-	-
Financial debts	22	-	-	-	-	-	(32.5)	(32.5)	(32.5)			
Trade payables and other liabilities	26	-	-	-	-	-	(1,250.5)	(1,250.5)	(1,250.5)	-	-	-
Foreign currency derivative liabilities	22.2.3	-	-	-	-	(17.4)	-	(17.4)	(17.4)	2	-	-
Other derivatives - liabilities		-	-	-	-	(1.4)	-	(1.4)	(1.4)	2	-	-

* Interest rates are floating rates.

		2016										
<i>In millions of euros</i>	Note	Assets at fair value	Loans and receivables	Held-to-maturity assets	Available-for-sale assets	Liabilities at fair value	Liabilities at amortised cost	Net carrying amount	Fair value	Evaluation level	Interest rate	Effective interest rate
Financial investments	14	-	10.9	-	9.9	-	-	20.8	20.8	-	-	-
Liquidity contract	14	10.9	-	-	-	-	-	10.9	10.9	1	-	-
Other financial assets	14	-	-	0.0	-	-	-	0.0	0.0	-	-	-
Other non-consolidated investments	14	-	-	-	0.2	-	-	0.2	0.2	-	-	-
Held-to-maturity securities	14	-	-	-	-	-	-	-	-	-	-	-
Financial assets	14	10.9	10.9	0.0	10.1	-	-	31.9	31.9			
Loans and deposits	16	-	47.5	-	-	-	-	47.5	47.5	-	-	-
Trade and other receivables	18	-	537.8	-	-	-	-	537.8	537.8	-	-	-
Foreign currency derivative assets	22,2,3	40.5	-	-	-	-	-	40.5	40.5	2		
Cash and cash equivalents	19	1,016.5	1,312.5	-	-	-	-	2,328.9	2,328.9	1	-	-
Bank overdrafts	22	-	-	-	-	-	(8.4)	(8.4)	(8.4)	-	*	-
Loan Brazil	22	-	-	-	-	-	(10.4)	(10.4)	(10.4)	-	15.2%	15.2%
Loan India	22	-	-	-	-	-	(1.8)	(1.8)	(1.8)	-	9.2%	9.2%
Other borrowings	22	-	-	-	-	-	(2.4)	(2.4)	(2.4)	-	2.7%	2.7%
Current accounts in debit	22	-	-	-	-	-	-	-	-	-	-	-
Financial debts	22	-	-	-	-	-	(23.0)	(23.0)	(23.0)	-	-	-
Trade payables and other liabilities	26	-	-	-	-	-	(1,183.0)	(1,183.0)	(1,183.0)	-	-	-
Foreign currency derivative liabilities	22,2,3	-	-	-	-	(51.8)	-	(51.8)	(51.8)	2	-	-
Other derivatives – liabilities		-	-	-	-	(2.0)	-	(2.0)	(2.0)	2	-	-

* Interest rates are floating rates.

For 2017 and 2016, there were no transfers between levels 1 and 2 for financial assets and liabilities recognised at fair value.

NOTE 23 PROVISIONS

<i>In millions of euros</i>	31/12/2016	Depreciations	Reversals ¹	Exchange rate impact	Other and reclassifications	31/12/2017
Current provisions	94.7	88.0	(23.7)	(2.8)	(4.5)	151.7
Non-current provisions	3.5	1.5	(1.7)	(0.2)	4.0	7.1
TOTAL	98.1	89.5	(25.4)	(3.0)	(0.5)	158.8

(1) Of which €13.6 million reversed and used.

The provisions correspond to the estimated consequences to assets of actual or probable risks, litigation and disputes on the Group's activities.

Current provisions concern risks, disputes and litigation (tax, legal, social) as well as provisions for returns of goods in the normal course of operations.

In particular, certain French companies of the Group received reassessment proposals for the years 2013 and 2014 at the end of

December 2017, mainly relating to corporate income tax. After consulting its legal advisors, Hermès has challenged these reassessments and intends to seek redress using the means available to it for its defence.

Hermès considers that risks, disputes and litigation are the subject of appropriate provisions the amounts of which are reviewed, in coordination with its legal advisors, and in accordance with the criteria of IAS 37 and IAS 12.

NOTE 24 EMPLOYEES

A geographical breakdown of the workforce is as follows:

	31/12/2017	31/12/2016
France	8,319	7,881
Europe (excl. France)	1,421	1,351
Other geographical areas	3,743	3,602
TOTAL	13,483	12,834

A breakdown by category is as follows:

	31/12/2017	31/12/2016
Production	6,249	5,917
Sales	5,130	4,865
Other (design, communication and administration)	2,104	2,052
TOTAL	13,483	12,834

Employee expenses in 2017 totalled €1,050.1 million, compared with €983.8 million in 2016.

NOTE 25 POST-EMPLOYMENT AND OTHER EMPLOYEE BENEFIT OBLIGATIONS

25.1 Description of plans

Hermès Group employees are eligible for short-term benefits (paid leave, sick leave, profit-sharing), long-term benefits (long-service awards) and post-employment benefits under defined contribution/defined benefit plans (mainly retirement benefits, and supplemental pension plans).

Post-employment benefits are awarded either through defined contribution plans or through defined-benefit plans.

25.1.1 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).

25.1.2 Defined benefit plans

Under these plans, the employer assumes an obligation vis-à-vis its employees. If these plans are not entirely funded in advance, a provision is recorded.

Post-employment and similar benefit obligations (Defined Benefit Obligations or DBOs) are measured using the projected credit unit method, based on actuarial assumptions that take into consideration specific conditions, primarily macroeconomic conditions, in the different countries in which the Group operates.

For post-employment plans, changes to actuarial assumptions and experience effects give rise to actuarial gains and losses which are all recorded in equity for the period in which they are recognised.

For the Group, the main defined-benefit plans apply mainly to:

- ◆ departure or retirement benefits in France, Italy, Turkey, Greece, India, Thailand, Taiwan and Japan: these are calculated based on employee length of service and annual salary at the time of retirement age. These obligations are partially or entirely externalised depending on the country;
- ◆ long-service awards in France: these are awards for long-standing service 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, the Asia-Pacific region, Australia, Switzerland and England: long-service in certain foreign subsidiaries is compensated by the allocation of bonuses on specific anniversary dates;
- ◆ a supplementary plan in France or abroad (Switzerland, Canada).

In millions of euros	< 1 year	> 1 year	2017	< 1 year	> 1 year	2016
Post-employment and similar benefit obligations	6.0	188.2	194.2	5.6	183.4	189.0
TOTAL	6.0	188.2	194.2	5.6	183.4	189.0

25.2 Actuarial assumptions

For 2017, 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**
Retirement age	62 to 65 years	62 to 69.6 years	63 to 64 years	60 to 63 years	60 to 66 years	50 to 65 years
Increase in salaries	3.0%	1.2%	2.0%	2.5%	3.5%-5%	3.50%-8.25%
Increase in social security ceiling	2.50%	n/a	n/a	n/a	n/a	n/a
Discounting rate	1.33%-0.86%*	1.3%	0.7%	0.5%	0.90%	0.2%-7.25%

n/a: not applicable.

* Rates according to the duration of the plans.

** India, Malaysia, Thailand

2016 assumptions:

	France	Italy	Switzerland	Japan	Taiwan	Other Asian countries
Retirement age	62 to 65 years	62 to 69.6 years	63 to 64 years	60 years	60 to 66 years	50 to 65 years
Increase in salaries	3.0%	1.2%	2.0%	2.5%	3.5%-5%	3.50%-8.25%
Increase in social security ceiling	2.50%	n/a	n/a	n/a	n/a	n/a
Discounting rate	1.21%-0.95%*	1.2%	0.4%	0.4%	1.02%	0.3%-7.05%

n/a: not applicable.

* Rates according to the duration of the plans

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 €16.6 million decrease or a €14.9 million increase in Hermès Group's pension provision respectively, with the balancing entry recognised in equity.

More specifically, for pension plans in Switzerland, a 0.50 point increase or decrease in the applied interest rate would lead to a €1.0 million increase or a €1.0 million decrease in the pension provision, with the balancing entry recognised in equity.

As at 31 December 2017, contributions paid for the coming year (including contributions paid to a fund and benefits paid directly by the employer) totalled €5.8 million, compared with €5.8 million in 2016.

25.3 Change in provisions recognised in the statement of financial position

<i>In millions of euros</i>	Post employment plans	Other long-term benefits	2017	Post-employment plans	Other long-term benefits	2016
Provisions as at 1st January	176.0	13.0	189.0	149.0	10.8	159.8
Foreign currency adjustments	(5.0)	(0.4)	(5.4)	2.1	0.1	2.2
Cost according to statement of profit or loss	17.7	2.1	19.8	16.2	2.9	19.1
Benefits/contributions paid	(4.7)	(1.1)	(5.8)	(4.1)	(0.7)	(4.8)
Actuarial gains and losses	(3.4)	-	(3.4)	14.4	-	14.4
Change in scope	-	-	-	0.2	0.0	0.2
Other	-	(0.1)	(0.1)	(1.8)	(0.1)	(1.9)
Provisions as at 31 December	180.7	13.5	194.2	176.0	13.0	189.0

25.3.1 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	2017	Post employment plans	Other long-term benefits	2016
Present value of obligations at 1st January	250.3	13.0	263.3	219.9	10.8	230.7
Foreign currency adjustments	(8.5)	(0.4)	(8.9)	2.5	0.1	2.6
Service cost	15.3	1.3	16.6	14.5	1.2	15.7
Interest cost	2.0	0.2	2.2	2.9	0.2	3.1
Benefits paid	(15.2)	(0.8)	(16.0)	(3.9)	(0.7)	(4.6)
Employee contributions	1.6	-	1.6	1.7	-	1.7
Experience gains and losses	2.8	0.3	3.1	2.0	0.2	2.2
Actuarial gains and losses from demographic assumptions	(1.8)	(0.0)	(1.8)	(2.6)	0.0	(2.6)
Actuarial gains and losses from financial assumptions	(4.5)	(0.3)	(4.8)	15.6	0.4	16.0
Plan changes	0.2	0.6	0.8	(0.5)	0.8	0.3
Change in scope	-	0.0	0.0	0.2	0.0	0.2
Other	0.2	(0.3)	(0.1)	(2.0)	-	(2.0)
Present value of obligations as at 31 December	242.4	13.6	256.0	250.3	13.0	263.3

25.3.2 Evaluation of fair value of pension plans

<i>In millions of euros</i>	2017	2016
Fair value of assets at 1st January	74.3	70.9
Employer contributions	4.4	4.1
Employee contributions	1.6	1.7
Benefits paid	(15.2)	(3.9)
Financial income	0.5	0.8
Administrative expenses	(0.3)	(0.2)
Foreign currency adjustments	(3.4)	0.4
Actuarial gains and losses	(0.2)	0.5
Change in scope	-	0.0
Fair value of assets as at 31 December	61.7	74.3

25.3.3 Analysis of the provision for post-employment and similar benefit obligations

<i>In millions of euros</i>	Post employment plans	Other long-term benefits	31/12/2017	Post employment plans	Other long-term benefits	31/12/2016
Present value of funded obligations	186.6		186.6	194.7		194.7
Fair value of plan assets	(61.7)		(61.7)	(74.3)		(74.3)
Excess obligations/(assets) in funded plans	124.8	-	124.6	120.4	-	120.4
Present value of unfunded obligations	55.8	13.6	69.6	55.6	13.0	68.6
Unrecognised net assets			-			-
Net defined-benefit plan obligations	180.7	13.6	194.2	176.0	13.0	189.0
Breakdown of obligations – assets	-	-	-	-	-	-
Breakdown of obligations – liabilities	180.7	13.6	194.2	176.0	13.0	189.0
Net obligations	180.7	13.6	194.2	176.0	13.0	189.0

25.3.4 Change in actuarial gains and losses

<i>In millions of euros</i>	
Actuarial gains and losses recognised in equity as at 31 December 2015	126.3
Experience gains and losses	2.0
Actuarial gains and losses from changes in demographic assumptions	(2.6)
Actuarial gains and losses from changes in financial assumptions	15.6
Impact of limits on plan assets	-
Other actuarial gains and losses	(0.3)
Actuarial gains and losses recognised in equity as at 31 December 2016	141.0
Experience gains and losses	2.8
Actuarial gains and losses from changes in demographic assumptions	(1.8)
Actuarial gains and losses from changes in financial assumptions	(4.5)
Impact of limits on plan assets	-
Other actuarial gains and losses	(1.3)
Actuarial gains and losses recognised in equity as at 31 December 2017	136.2

25.3.5 Analysis of expenses recognised in the statement of profit or loss

<i>In millions of euros</i>	Post employment plans	Other long-term benefits	2017	Post employment plans	Other long-term benefits	2016
Service costs	15.6	1.5	17.1	14.5	1.2	15.7
Interest costs	2.0	0.2	2.2	2.9	0.2	3.1
Financial income on assets	(0.5)	-	(0.5)	(0.8)	-	(0.8)
(Gains)/losses resulting from a plan change	0.2	0.6	0.8	(0.5)	0.8	0.3
Change in scope	-	-	-	-	-	-
Net actuarial (gains)/losses recognised in year	-	(0.0)	(0.0)	-	0.6	0.6
Administrative expenses	0.3	(0.1)	0.2	0.2	0.1	0.3
Cost of defined-benefit plans	17.7	2.1	19.8	16.2	2.9	19.1

25.4 Plan assets

A weighted average breakdown of plan assets by investment type is as follows:

<i>In millions of euros</i>	31/12/2017		31/12/2016	
	Value	Breakdown	Value	Breakdown
Shares	5.4	9%	7.9	11%
Obligations	43.2	70%	52.4	70%
Other	13.1	21%	14.0	19%
TOTAL	61.7	100%	74.3	100%

25.5 Information by geographical area

<i>In millions of euros</i>	31/12/2017		31/12/2016	
	Value	Breakdown	Value	Breakdown
France	156.9	61%	154.8	59%
Europe (excl. France)	54.9	21%	63.1	24%
Japan	37.8	15%	39.0	15%
Asia-Pacific (excluding Japan)	5.9	2%	6.0	2%
Americas	0.5	0%	0.4	0%
Present value of obligations	256.0	100%	263.3	100%
France	23.7	38%	33.3	45%
Europe (excl. France)	37.7	61%	40.6	55%
Asia-Pacific (excl. Japan)	0.3	1%	0.4	0%
Fair value of plan assets	61.7	100%	74.3	100%
France	-	-	-	-
Asia-Pacific (excl. Japan)	-	-	-	-
Unrecognised net assets	-	-	-	-
France	133.2	69%	121.5	64%
Europe (excl. France)	17.2	9%	22.5	12%
Japan	37.8	19%	39.0	21%
Asia-Pacific (excluding Japan)	5.6	3%	5.6	3%
Americas	0.5	0%	0.4	0%
Provisions for post-employment and similar benefit obligations	194.2	100%	189.0	100%

NOTE 26 TRADE PAYABLES AND OTHER LIABILITIES

<i>In millions of euros</i>	31/12/2017	31/12/2016
Trade payables	425.8	423.0
Amounts payable to fixed asset suppliers	55.2	40.6
Trade and other payables	481.0	463.7
Tax liabilities	141.1	128.3
Other current liabilities	528.8	523.8
Other non-current liabilities	99.5	67.3
TRADE PAYABLES AND OTHER LIABILITIES	1,250.5	1,183.0

Other current and non-current liabilities mainly consist of tax and social security liabilities.

NOTE 27 OFF BALANCE SHEET COMMITMENTS, CONTINGENT ASSETS AND CONTINGENT LIABILITIES

27.1 Financial commitments

Financial commitments are discounted at the rate of 7.88% in 2017 (7.71% in 2016).

<i>In millions of euros</i>	< 1 year	1 to 5 years	> 5 years	31/12/2017	31/12/2016
Bank guarantees given	2.6	3.5	5.5	11.6	13.9
Bank guarantees received	-	0.2	-	0.2	0.3
Commitments to purchase financial assets	-	14.4	11.0	25.4	18.3
Other commitments	45.8	63.9	-	109.7	21.7

The future non-cancellable commitments of discounted minimum payments resulting from operating leases can be analysed as follows:

<i>In millions of euros</i>	< 1 year	1 to 5 years	> 5 years	31/12/2017	31/12/2016
Minimum future payments - Stores	179.4	450.1	171.5	801.0	810.6
Minimum future payments - Admin and logistics buildings	38.6	100.6	57.1	196.3	126.2
TOTAL	218.0	550.7	228.6	997.3	936.8

27.2 Other off-balance sheet commitments

The Group has no knowledge of any commitments other than those mentioned elsewhere herein and that would not be reflected in the financial statements for the year ended 31 December 2017. 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 28 RELATED-PARTY TRANSACTIONS

28.1 Transactions with equity-accounted associates

Transactions with equity-accounted associates were not material relative to the Group's overall business activities.

28.2 Other related-party transactions

Relationships with other related parties, within the meaning of IAS 24 *Related Party Disclosures* can be summarised as follows:

- ◆ RDAI firm: RDAI architects were appointed to carry out design work on the internal layout of all Hermès Group stores. Fees paid by the Group totalled €9.6 million excluding tax in 2017;

The RDAI firm, as well as the SCI mentioned below, are considered to be related parties given that certain members of Group Management or members of the Supervisory Board have personal interests therein and exercise significant influence;

- ◆ Émile Hermès SARL, Active Partner: Émile Hermès SARL is a société à responsabilité limitée à capital variable (limited company with variable capital). Its partners are the direct descendants of Mr Émile Hermès and his wife. Émile Hermès SARL's Executive Chairman is Mr Henri-Louis Bauer. The Company is governed by 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 expenses incurred. Hermès International charged back €0.2 million in this respect in 2016;

- ◆ ARDIAN Holding: as part of the diversification of its investments, Hermès International has a 11.60% equity interest in the company ARDIAN Holding, in which a member of the Supervisory Board has responsibilities. This commitment had been assumed in 2013, 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 on page 326.

28.3 Lease agreements with related parties

Address	Lessor	Lessee	Lease type	Duration	Start	End	Security deposit
28/30/32 rue du Faubourg St Honoré	SAS SIFAH	Hermès International	Commercial lease	9 years	01/01/2017	31/12/2025	3 months
28/30/32 rue du Faubourg St Honoré	SAS SIFAH	Hermès Sellier	Commercial lease	9 years	01/01/2017	31/12/2025	3 months
26 rue du Faubourg St Honoré	SAS SIFAH	Hermès International	Commercial lease	9 years	01/01/2014	31/12/2022	3 months
26 rue du Faubourg St Honoré	SAS SIFAH	Hermès International	Commercial lease	9 years	01/01/2017	31/12/2025	3 months
23 rue Boissy d'Anglas	SAS SIFAH	Hermès Sellier	Commercial lease	9 years	01/01/2009	31/12/2017	3 months
74 rue du Faubourg St Antoine	S.C.I. 74 rue du Faubourg Saint Antoine	Hermès International	Commercial lease	9 years	01/07/2008	30/06/2017 ¹	3 months
4 rue du Pont Vert 27400 Le Vaudreuil	Briand Villiers I	Comptoir Nouveau de la Parfumerie	Commercial lease	9 years firm	01/07/2014	30/06/2023	3 months

(1) *Renewal in progress.*

Total rental expenses for the abovementioned leases amounted to €9 million in 2017 (versus €9 million in 2016). 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 29 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>	2017	2016
Short-term benefits	13.0	11.2
Post-employment benefits	3.3	3.1
Other long-term benefits	0.2	0.1
Share-based payments	2.2	1.8
TOTAL	18.7	16.3

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 30 SHARE-BASED PAYMENTS

The expense recognised in 2017 in respect of free share allocation plans totalled €74.8 million, compared with €60.6 million at end-2016. The shares outstanding changed as follows during the financial year:

<i>in shares</i>	2017	2016
Outstanding as at 1st January	1,188,160	826,950
Issued		806,060
Exercised	(112,700)	(416,480)
Cancelled		-
Forfeited	(19,040)	(28,370)
Outstanding as at 31 December	1,056,420	1,188,160
♦ of which exercisable	-	-

The information relative to the bonus share allocation plans is provided on page 162 (Table 11).

NOTE 31 INFORMATION ON FEES

During the 2017 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				Didier Kling & Associés			
	2017	Breakdown	2016	Breakdown	2017	Breakdown	2016	Breakdown
Certification of financial statements								
♦ o/w Hermès International (parent company)	0.3	10%	0.3	12%	0.2	40%	0.2	35%
♦ o/w Fully consolidated subsidiaries	1.7	65%	1.6	74%	0.3	60%	0.3	65%
Sub-total	1.9	75%	1.9	87%	0.5	100%	0.5	100%
Services other than certification of financial statements²								
♦ o/w Hermès International (parent company)	0.2	8%	0.1	3%	-	-	-	-
♦ o/w Fully consolidated subsidiaries	0.4	17%	0.2	11%	-	-	-	-
Sub-total	0.6	25%	0.3	13%	-	-	-	-
TOTAL¹	2.5	100%	2.2	100%	0.5	100%	0.5	100%

(1) Including fees of Auditors of the company and French subsidiaries' financial statements:

- to Pricewaterhouse Coopers, €0.7m in respect of certification of the financial statements and €0.2m for other services (€0.7m and €0m in 2016);

- to Didier Kling et Associés, €0.5m in respect of certification of the financial statements (€0.5m in 2016).

(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 compliance certification and assessments.

NOTE 32 SCOPE OF CONSOLIDATION

LIST OF THE MAIN CONSOLIDATED COMPANIES AS AT 31 DECEMBER 2017 (DISTRIBUTION SUBSIDIARIES AND HOLDING COMPANIES OF THE DIVISIONS, FOR THE MAJOR PART)

Company	Office	Percentage 2017			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	99.98	99.98	Full	353,438,708
Compagnie Hermès de Participations	23, rue Boissy-d'Anglas, 75008 Paris	100	100	Full	413,818,147
Compagnie Hermès de Participations 2	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 Italia	331 Tumon Sands Plaza 1082 Pale San Vitores Rd Tumon Guam 96913 (United States)	60	60	Full	-
Faubourg Guam	C/Co Calvo Fisher & Jacob LLP, 259 Martyr Street Suite 100, Hagatna Guam 96910	100	100	Full	-
Faubourg Middle East	LB13002, Jebel Ali Free Zone, Dubai (United Arab Emirates)	40	40	EA	-
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	99.99	Full	-
Hermes 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	50, boulevard de Waterloo, 1000 Brussels (Belgium)	100	100	Full	-
Hermès Do Brasil Industria E Comercio Ltda	Avenida Magalhaes de Castro, n° 12.000, Loja 32, Piso Terreo, Jardim Panarama, Sao Paolo (Brazil)	100	100	Full	-
Hermès Canada	131 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 n°12, n°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	Højbro Plads 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 GB	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 Iberica	Paseo de la Castellana no. 28, 28046 Madrid (Spain)	100	100	Full	-
Hermès Holding GB	1 Bruton Street, London W1J 6TL (United Kingdom)	100	100	Full	-
Hermès Immobilier Genève	1, rue Robert Céard, 1204 Geneva (Switzerland)	100	100	Full	-

Company	Office	Percentage 2017			Registered no. (French SIREN)
		Control	Interest	Method*	
Hermès India Retail and Distributors	G/5-9 Shopping Arcade, The Oberoi, Dr Zakir Hussain Marg, 110003 New Delhi (India)	51.01	51.01	Full	-
Hermès Internacional Portugal	Largo do Chiado 9, 1200-108 Lisbon (Portugal)	100	100	Full	-
Hermès Istanbul	Abdi Ipekçi Cad. No:79 Nisantasi, Sisli, Istanbul (Turkey)	100	100	Full	-
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, Singapore 018989 (Singapore)	100	100	Full	-
Hermès Monte-Carlo	11-13-15, avenue de Monte-Carlo, 98000 Monaco (Principality of Monaco)	100	100	Full	-
Hermès of Paris	55 East, 59th Street, 10022 New York (USA)	100	100	Full	-
Hermès Prague	Parizska 12/120, 11000 Prague (Czech Republic)	100	100	Full	-
Hermès Retail (Malaysia)	Level 16, Menara Asia Life, 189 Jalan Tun Razak, 50400 Kuala Lumpur (Malaysia)	100	100	Full	-
Hermès Rus AO	4, Nizhny Kiselny pereulok 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-Bénite	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 Maroquinerie de Guyenne	23, rue Boissy-d'Anglas, 75008 Paris	100	100	Full	789,928,611
Immobilière Maroquinerie de Montereau	23, rue Boissy-d'Anglas, 75008 Paris	100	100	Full	812,935,005
Immobilière du 5 rue de Furstemberg	23, rue Boissy-d'Anglas, 75008 Paris	100	100	Full	440,252,849
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	99.99	99.99	Full	582,094,371
Manufacture de Seloncourt	18, rue de la Côte, 25230 Seloncourt	100	100	Full	407,836,329
La Maroquinerie du Sud Ouest	Route de Saint-Martin-le-Pin, 24300 Nontron	100	100	Full	403,230,436
La Montre Hermès	Erlenstrasse 31 A, 2555 Brügg (Switzerland)	100	100	Full	-
Manufacture de Haute Maroquinerie	ZAE Les Combaruches, Boulevard du docteur Jean-Jules Hébert, 73100 Aix-les-Bains	100	100	Full	409,548,096
Maroquinerie de Belley	460, route des Ecassaz et 5 de Charignin, 01300 Belley	100	100	Full	428,128,425
Maroquinerie de Normandie	2 rue Sainte Marguerite 27100 Val-de-Reuil	100	100	Full	789,926,334
Maroquinerie de Montereau	23, rue Boissy-d'Anglas, 75008 Paris	100	100	Full	812,935,021
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	100	100	Full	480,011,451
Maroquinerie Thierry	ZI Les Bracots, rue des Fougères, 74890 Bons-en-Chablais	49.97	49.97	EA	312,108,368
Motsch-George V	23, rue Boissy-d'Anglas, 75008 Paris	100	100	Full	440,252,476
Perrin & Fils	ZA Les Chaumes, 38690 Le Grand -Lemps	39.52	38.22	EA	573,620,143
Saint-Honoré (Bangkok)	Unit 1207 12 th Floor Park Venture Ecoplex 57 Wireless Road, Lumpini Pathumwan, Bangkok 10330 (Thailand)	80	80	Full	-

Company	Office	Percentage 2017			Registered no. (French SIREN)
		Control	Interest	Method*	
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 Boissy Nontron	23, rue Boissy-d'Anglas, 75008 Paris	100	100	Full	442,307,021
SCI Les Capucines	23, rue Boissy-d'Anglas, 75008 Paris	100	99.99	Full	408,602,050

* Consolidation method FC: fully consolidated; EA: equity accounted.

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, such as information about the appointment of Statutory Auditors. 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 2017

To the Shareholders of Hermès International

1. OPINION

In compliance with the engagement entrusted to us by your shareholder's meeting, we have audited the accompanying consolidated financial statements of Hermès International for the year ended 31 December 2017.

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 2017 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 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 2017 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 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, and we do not provide a separate opinion on specific items of the consolidated financial statements.

Valuation of inventories and work-in-progress – Notes 1.10 and 17 to the consolidated financial statements

Description of risk

The Group's inventories and work-in-progress represent € 1,518 million in gross value and € 896 million in net value at 31 December 2017, out of a balance sheet total of € 6,768 million.

The Group determines 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 Group's 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 – Note 1.9.1-F and 22 of the notes to the consolidated financial statements

Description of risk

Almost all of the Group's production occurs in the Eurozone although the majority of its sales are made in foreign currency (American dollar, Japanese yen, other Asian currencies, etc.). The group hedges this exposure in order to minimise the impact of currency fluctuations on the Group's profits.

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 benchmark the Group uses in its financial communication.

How our audit addressed this risk

As part of our work, assisted by our 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 their value; and
- ◆ reviewed commercial transaction hedges for a selection of hedging operations, as well as the associated documentation and the effectiveness tests in order to assess their eligibility for hedge accounting.

Provisions for contingencies – Note 1.16 and 23 of the notes to the consolidated financial statements

Description of risk

The Group does business in many countries where the legislative and legal environments may change, and which can create risks of tax, legal or labour disputes or litigation.

As at 31 December 2017, provisions for risks and expenses total €159 million.

We considered this to be a key audit matter due to the amounts of claims which could be made, and the high degree of judgement required by the management to assess risks and estimate the provisions to be recognised in sometimes complex legislative contexts.

How our audit addressed this risk

Our work involved:

- ◆ examining the procedures set up by the Group to identify risks;
- ◆ discussions with the Group's management, Legal Department and Tax Department in order to understand all the existing disputes;
- ◆ considering the Group's analysis of the risks, the corresponding documentation and any written opinions from external advisers;
- ◆ collecting the relevant evidence to assess the management's judgements to evaluate the probability of the main risks occurring and assessing the assumptions to determine the amount of the provisions.

4. VERIFICATION OF THE INFORMATION PERTAINING TO THE GROUP PRESENTED IN THE MANAGEMENT REPORT

As required by law we also verified in accordance with professional standards applicable in France the information pertaining to the Group presented in the Executive Management Report of management of the Group.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

5. REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Appointment of the Statutory Auditors

We were appointed as statutory auditors of Hermès International by the annual general meeting held on 30 May 2011 for PricewaterhouseCoopers Audit and on 31 May 1999 for Cabinet Didier Kling & Associés.

As at 31 December 2017, PricewaterhouseCoopers and Cabinet Didier Kling & Associés were in the 7th year and 19th year of total uninterrupted engagement respectively.

6. 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 Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks 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.

7. STATUTORY AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE 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 consolidated 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 judgment throughout the audit and 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.

Report to the Audit Committee

We submit a report to the Audit Committee which includes in particular 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 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 Committee with the declaration provided for in Article 6 of Regulation (EU) N° 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 Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Neuilly-sur-Seine, 26 March 2018

The Statutory Auditors

PricewaterhouseCoopers Audit

Olivier Auberty

Didier Kling & Associés

Member of Grant Thornton International

Didier Kling

Guillaume Giné

6

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6.1 STATEMENT OF PROFIT OR LOSS FOR 2017

<i>In millions of euros</i>	Notes	2017	2016
Operating income	2	284.7	332.2
Revenue		216.6	177.6
Other products		0.7	2.1
Reversals of provisions and expenses reclassified		67.4	152.6
Operating expenses		286.8	331.2
Other purchases and external expenses		116.7	99.1
Tax and duties		10.2	7.3
Compensation		49.4	47.0
Social security and similar expenses	3	29.1	105.0
Amortisation, depreciation, provisions and impairment		79.6	71.0
Other expenses		1.7	1.8
OPERATING INCOME		(2.0)	1.0
Financial income		941.7	1,267.2
Income from subsidiaries and associates		896.0	1,225.9
Other interest and similar income		0.6	2.3
Reversals of provisions and impairment	11	35.9	12.0
Foreign exchange gains		9.4	26.9
Net income from disposals of marketable securities		(0.2)	0.2
Financial expenses		122.7	179.8
Additions to provisions and impairment	11	107.9	158.0
Foreign exchange losses		13.1	21.2
Interest and similar expenses		1.6	0.7
NET FINANCIAL INCOME		819.0	1,087.4
CURRENT INCOME		816.9	1,088.4
Extraordinary income		63.2	135.6
Extraordinary expenses		121.7	123.2
NET EXTRAORDINARY INCOME	4	(58.6)	12.5
NET INCOME BEFORE TAX AND EMPLOYEE PROFIT-SHARING		758.4	1,100.9
Employee profit-sharing		(4.5)	(3.9)
Income tax	5	24.4	(5.8)
NET INCOME		778.3	1,091.2

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 level of the total changes.

6.2 STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

Assets

<i>In millions of euros</i>	Notes	31/12/2017	31/12/2016
Fixed assets		805.3	684.6
Intangible assets	6	12.0	5.5
♦ Concessions, patents and brands		-	-
♦ Other		12.0	5.5
Property, plant and equipment	6	17.2	18.7
♦ Land		0.2	0.2
♦ Buildings			
♦ Other assets		16.8	18.3
♦ Assets under construction		0.2	0.2
Financial assets	7	776.1	660.3
♦ Investments in subsidiaries and associates		661.6	617.2
♦ Other long-term investments		2.6	2.6
♦ Other financial assets		111.9	40.5
Current assets		3,210.3	2,776.1
Operating receivables	8	235.1	136.8
Miscellaneous receivables	8	391.6	611.2
Marketable securities	9	2,067.4	1,409.4
Derivatives		36.2	41.2
Cash at bank and in hand		479.9	577.5
Prepayments and accruals	8	6.3	5.0
TOTAL ASSETS		4,021.9	3,465.6
Liabilities			
<i>Before allocation</i>			
Equity		3,236.2	2,857.3
Share capital	10	53.8	53.8
Share, merger or contribution premiums		49.6	49.6
Other reserves		801.8	601.5
Legal reserve		5.7	5.7
Retained earnings		1,546.7	1,055.1
Net income for the financial year		778.3	1,091.2
Regulated provisions	11	0.3	0.4
Provisions for risks and expenses	11	256.4	177.2
Liabilities		529.3	431.1
Financial debts	12	24.5	22.4
Derivatives		7.8	11.0
Operating liabilities	12	61.5	54.5
Miscellaneous liabilities	12	435.5	343.2
TOTAL EQUITY AND LIABILITIES		4,021.9	3,465.6

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 level of the total changes.

6.3 CHANGES IN EQUITY IN 2017

<i>In millions of euros</i>	Share capital	Share, merger or contribution premiums	Legal reserve, other reserves, and retained earnings	Net income for the financial year	Regulated provisions	Equity	Number of shares outstanding
Notes	10				11		10
Balance as at 31 December 2015 before allocation of net income	53.8	49.6	1,175.5	842.8	0.4	2,122.1	105,569,412
Allocation of net income 2015	-	-	842.8	(842.8)	-	-	-
Dividends paid in respect of the financial year	-	-	(356.0)	-	-	(356.0)	-
Net income for financial year 2016	-	-	-	1,091.2	-	1,091.2	-
Other changes	-	-	-	-	-	-	-
Balance as at 31 December 2016 before allocation of net income	53.8	49.6	1,662.2	1,091.2	0.4	2,857.3	105,569,412
Allocation of net income 2016	-	-	1,091.2	(1,091.2)	-	-	-
Dividends paid in respect of the financial year	-	-	(399.3)	-	-	(399.3)	-
Net income for financial year 2017	-	-	-	778.3	-	778.3	-
Other changes	-	-	-	-	-	-	-
Balance as at 31 December 2017 before allocation of net income	53.8	49.6	2,354.1	778.3	0.4	3,236.2	105,569,412

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 level of the total changes.

6.4 STATEMENT OF CASH FLOWS FOR 2017

<i>In millions of euros</i>	Notes	2017	2016
Net income		778.3	1091.2
Depreciation and amortisation		0.5	11.6
Change in provisions and impairment	11	124.2	112.7
Capital gains/(losses) on disposals		59.5	76.2
Operating cash flows		962.5	1,291.7
Change in intra-group current accounts		238.2	(13.9)
Change in other receivables		(92.5)	8.9
Change in trade and other payables		23.9	(10.8)
Change in working capital requirements		169.6	(15.8)
NET FLOWS COMING FROM OPERATIONS		1,132.1	1,275.9
Acquisitions of intangible assets	6	(8.6)	(6.3)
Acquisitions of property, plant and equipment	6	(2.3)	(3.8)
Acquisitions of investment securities	7	(70.5)	(34.1)
Acquisitions of other financial assets	7	(71.2)	(8.5)
Disposals		2.7	39.4
Change in receivables and payables related to fixed assets		(0.1)	0.2
NET FLOWS ASSIGNED TO INVESTMENT		(150.0)	(13.1)
Dividends paid		(399.3)	(356.0)
Treasury share buybacks net of disposals		(188.5)	(108.1)
NET CASH FLOWS FROM FINANCING		(587.8)	(464.1)
CHANGE IN NET CASH POSITION		394.3	798.8
Net cash at the beginning of the period	13	1,724.4	925.6
Net cash at the end of the period	13	2,118.7	1,724.4
CHANGE IN NET CASH POSITION		394.3	798.8

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 level of the total changes.

6.5 NOTE TO THE FINANCIAL STATEMENTS

The financial year covers the 12 months from 1 January through 31 December 2017. The following notes are an integral part of the financial statements.

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NOTE 1 ACCOUNTING RULES AND METHODS

Generally accepted accounting conventions have been applied, in line with the principle of prudence, according to the following accounting assumptions and principles:

- ◆ the Company's status as an ongoing concern;
- ◆ the consistency of accounting policies from one financial year to another;
- ◆ the accruals and matching principle;
- ◆ the historical cost convention;

and in accordance with ANC regulation 2014-03 and ANC regulation 2016-07 relative to the general chart of accounts and ANC regulation 2015-05 relative to financial instruments and hedging operations came into force on 01/01/2017, with no significant impact on the Company's statutory financial statements.

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.

1.2 Property, plant and equipment

Property, plant and equipment are valued at acquisition cost (purchase price plus incidental expenses, excluding acquisition costs), except for assets acquired before 31 December 1959, which are shown in the statement of financial position at their value in use on that date.

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 30 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.

1.3 Financial assets

Investments in subsidiaries and associates are shown in the statement of financial position 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.

The balance sheet value is determined based on criteria such as the value of the share of net assets or the earnings prospects of the relevant subsidiary. These criteria are weighted by the effects of owning these shares in terms of strategy or synergies, in respect of other investments held.

1.4 Trade receivables

Receivables are recorded at nominal value. A provision for impairment is recognised where there is a risk of non-recovery.

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.

A provision 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.

1.6 Treasury management

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 statement of financial position 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 exchange rate are recorded in the statement of financial position. A provision for contingencies is established for unrealised 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*.

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 Group tax consolidation, projected or 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. The tax expense borne by the subsidiaries is the expense they would have incurred if there had been no Group tax consolidation.

The companies included in the Group tax consolidation are Hermès International, Ateliers d'Ennoblement d'Irigny, Ateliers de Tissage de Bussièrès et de Challes, Castille Investissements, Compagnie des Arts de la Table et de l'Email, Compagnie des Cristalleries de Saint-Louis, Compagnie Hermès de Participations, CHP2, CHP3, Compagnie des Cuirs Précieux, Comptoir Nouveau de la Parfumerie, Créations Métaphores, Ets Marcel Gandit, Ganterie de Saint-Junien, Grafton Immobilier, Hermès Cuirs Précieux, Hermès Sellier, Holding Textile Hermès, Honossy, Immauger, Immobilière du 5 rue de Furstemberg, Immobilière de la Maroquinerie de Montereau, Immobilière de la Maroquinerie de Guyenne, Immobilière de la Maroquinerie de Normandie, Immobilière de la Maroquinerie de Montbéliard, Immobilière Textile Honoré, Isamyol 30, John Lobb, La Manufacture de Seloncourt, Maroquinerie Nontronnaise, Manufacture de Haute Maroquinerie, Maroquinerie de Belley, Maroquinerie des Ardennes, Maroquinerie de Guyenne, Maroquinerie de Montereau, Maroquinerie de Normandie, Maroquinerie de Sayat, Maroquinerie de Saint-Antoine, Maroquinerie de la Tardoire, Maroquinerie Iséroise, Motsch George V, Puiforcat, SCI Auger-Hoche, SCI Boissy Les Mûriers, SCI Boissy Nontron, SCI Edouard VII, SCI Les Capucines, Société d'Impression sur Etoffes du Grand-Lemps, Société Novatrice de Confection, Tannerie d'Annonay, Tannerie de Montereau, Tanneries du Puy and Tannerie de Vivoin.

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), starting 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

<i>In millions of euros</i>	2017	2016
Revenue	216.6	177.6
Other products	0.7	2.1
Reversals of provisions and expenses reclassified	67.4	152.6
Operating income	284.7	332.2

The Company's revenue consists of services and royalties from brands. Royalties are calculated based on the production subsidiaries' revenue. Their increase results from the increase in the revenue of the companies subject to this royalty.

Services are primarily amounts charged back to subsidiaries for advertising and public relations services, rent, staff provided on secondment, insurance and professional fees.

The €67.4 million comprises reversals of provisions of €2.3 million and expense reclassifications totaling €65.1 million, €8.3 million of which are recorded under staff costs in respect of the Company's employees, and €56.8 million in net extraordinary income in respect of subsidiaries' employees.

In 2016, the €152.6 billion in reversals of provisions and transfers of expenses included a reversal in connection with the removal of free shares delivered in 2016 in the amount of €93.2 million.

NOTE 3 SOCIAL SECURITY AND SIMILAR EXPENSES

<i>In millions of euros</i>	2017	2016	Change
Cost of shares issued to employees of Hermès International (2012 plan)	1.0	31.1	(30.1)
2010 free share allocation plans	-	1.4	(1.4)
2012 free share allocation plans	0.2	23.2	(23.0)
2016 free share allocation plans	8.1	30.3	(22.2)
Social security expenses	19.8	19.0	0.8
SOCIAL SECURITY EXPENSES AND OTHER PERSONNEL COSTS	29.1	105.0	(75.9)

In 2016, social security and similar expenses included the contributions for all beneficiaries of the free share allocation plans.

In 2017, only the expenses in connection with Company employees were included in social security and similar expenses. The cost for other beneficiaries is included in extraordinary income.

NOTE 4 NET EXTRAORDINARY INCOME

<i>In millions of euros</i>	2017	2016
Extraordinary income	63.2	135.6
Free shares plan	32.2	
Reversals of provisions for accelerated depreciation	0.2	0.2
Other extraordinary income		1.8
Disposals of property, plant and equipment and non-current financial assets	30.7	133.6
Extraordinary expenses	(121.7)	(123.2)
Free shares plan	(56.8)	
Provisions for accelerated depreciation	(0.2)	(0.2)
Other extraordinary expenses	(2.0)	(6.9)
Net value of fixed assets sold	(62.7)	(116.0)
EXTRAORDINARY INCOME	(58.6)	12.5

Extraordinary income primarily includes the re-invoicing to subsidiaries of the expenses in connection with the 2012 free share allocation plan and that has matured in 2017.

Extraordinary expenses include costs relating to the free share allocation plans for beneficiaries other than Company employees in the amount of €56.8 million in respect of the plans decided in 2012 and 2016.

Lastly, extraordinary income includes capital losses on the disposal of financial and tangible fixed assets, offset by reversals of provisions (net financial items).

In short, the net impact of the free share allocation plans on net income before tax was an expense of €35.9 million in 2017, compared with an expense of €8 million in 2016.

NOTE 5 INCOME TAX

5.1 Breakdown of income tax

<i>In millions of euros</i>	2017	2016
Net income before tax	753.9	1,097.0
Net income before tax and employee profit-sharing	758.4	1,100.9
Employee profit-sharing	(4.5)	(3.9)
Income tax	24.4	(5.8)
Tax (parent company only)	(18.0)	(28.5)
♦ <i>a/w tax on extraordinary income</i>	2.3	(5.9)
♦ <i>a/w tax on other items</i>	(20.3)	(22.6)
Tax arising from tax consolidation	24.0	22.8
Exceptional income tax contribution	(34.0)	
Reimbursement of tax on dividends	52.4	
NET INCOME	778.3	1,091.2

Hermès International recognised a tax credit of €24.4 million in 2017, against a tax expense of €5.8 million in 2016. In addition, Hermès International is jointly liable for payment of the tax of the fiscally consolidated group, which amounted to €247.1 million in 2017 compared with €211.6 million in 2016.

The tax credit factors in the exceptional income tax contribution for large companies (€34 million) and projected repayments following the elimination of the contribution for income distributed (€52.4 million).

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 takes into

account the effect of the Group tax consolidation arising from tax losses for certain subsidiaries and from the capital gains on disposals of property, plant and equipment and non-current financial assets, where relevant.

5.2 Increases or decreases in future tax liability

As at 31 December 2017, the future tax receivable was equal to €15.2 million, versus €14.5 million as at 31 December 2016. This mainly consists of temporarily non-deductible expenses.

NOTE 6 INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

<i>In millions of euros</i>	Gross value as at 31/12/2016	Increases	Decreases	Other	Gross value as at 31/12/2017	Amortisation	Net value as at 31/12/2017
Intangible assets	32.1	8.6	(5.4)	-	35.3	(23.3)	11.9
Concessions, patents and brands	-				-		-
Other	32.1	8.6	(5.4)		35.3	(23.3)	11.9
Property, plant and equipment	43.0	2.3	(0.0)	-	45.3	(28.1)	17.3
Land	0.2				0.2		0.2
Buildings	0.4				0.4	(0.4)	-
Other assets	42.5	2.3	(0.0)		44.8	(27.7)	17.1
INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT	75.1	10.9	(5.4)	-	80.6	(51.4)	29.2

NOTE 7 FINANCIAL ASSETS

<i>In millions of euros</i>	Gross value as at 31/12/2016	Acquisitions/ Subscriptions	Disposals	Gross value as at 31/12/2017	Impairments	Net value as at 31/12/2017
Note					11	
Investments in subsidiaries and associates	1,090.5	70.5	(35.1)	1,125.9	(464.2)	661.6
Hermès Horizons ¹	20.3	4.1	(24.4)	-	-	-
Maroquinerie de Belley ²	10.2	3.0		13.2	(10.9)	2.3
Maroquinerie de Sayat ²	9.1	2.7		11.8	(10.3)	1.5
Maroquinerie de la Tardoire ³	9.0		(9.0)	-		-
Hermès Do Brasil Industria E Comercio ²	7.3	6.0		13.3	(11.1)	2.2
Ganterie de Saint-Junien ³	1.5		(1.5)	-		-
CHP3 ⁴	-	50.4		50.4	(0.4)	50.0
Maroquinerie de Normandie ²	0.0	4.0		4.0	(2.7)	1.4
Other equity interests ⁵	1,033.1	0.4	(0.2)	1,033.2	(429.0)	604.2
Other financial assets	48.5	71.6	(0.2)	119.9	(8.0)	111.9
Financial investments ⁶	19.0	70.0	(0.2)	88.8	(8.0)	80.8
Treasury shares (including liquidity contract) ⁷	25.7	0.5		26.2		26.2
Deposits and guarantees	3.8	1.1		4.9		4.9
Other long-term investments	3.2	0.1	(0.5)	2.7	(0.1)	2.6
FINANCIAL ASSETS	1,142.3	142.1	(35.9)	1,248.4	(472.3)	776.1

The detailed list of investment securities is presented at the end of the notes to the financial statements.

The main changes in the year are shown in the notes below:

- (1) Dissolution of Hermès Horizons by the transfer of all assets and liabilities.
- (2) Capital increases of Hermès Group subsidiaries.
- (3) Sale of shares in Maroquinerie de la Tardoire and Ganterie de Saint-Junien to Maroquinerie Nontronnaise.
- (4) CHP3 is wholly owned by Hermès International.
- (5) Other provisions for impairment of securities mainly relate to the subsidiaries Maroquinerie de Saint-Antoine, Hermès Argentina, H Brasil, Castille Investissements, Compagnie Hermès de Participations, Hermès Cuirs Précieux, John Lobb, La Manufacture de Seloncourt, Maroquinerie de Normandie, Manufacture de Haute Maroquinerie, Maroquinerie Nontronnaise, Maroquinerie Iséroise.
- (6) Subscription to two financial investments for €70 million with a maturity of 5 years.
- (7) As at 31 December 2017, Hermès International held 87,539 treasury shares (liquidity contract and unallocated shares intended for external growth operations). These shares were valued on the basis of their stock market price when they were purchased, i.e. €299.55 per share.

NOTE 8 ANALYSIS OF ASSETS BY MATURITY

In millions of euros	Note	31/12/2017				31/12/2016	
		< 1 year	> 1 year and < 5 years	Gross amount	Impairment	Net amount	Net amount
Other financial assets	7	-	119.9	119.9	(8.0)	111.9	40.5
Outstanding loans and advances				-	-	-	-
Other			119.9	119.9	(8.0)	111.9	40.5
Current assets¹		731.2	43.6	774.8	(148.0)	626.8	748.0
Trade and other receivables		82.2	1.7	83.9		83.9	70.7
Other operating receivables		109.4	41.9	151.2		151.2	66.1
Miscellaneous receivables ²		539.7		539.7	(148.0)	391.6	611.2
Prepayments and accruals		6.3	-	6.3	-	6.3	5.0
Communication fees		1.7		1.7		1.7	1.9
Leases		2.7		2.7		2.7	2.2
Other		2.0		2.0		2.0	0.9
TOTAL		737.5	163.5	901.0	(156.0)	744.9	793.5

(1) Current assets include a net amount of €551.4 million in receivables due from related companies.

(2) Miscellaneous receivables consist of financial current accounts of subsidiaries.

In millions of euros	31/12/2017	31/12/2016
Other financial assets		
Under 1 year	-	
From one to five years	119.9	48.5
Current assets		
Under 1 year	731.2	809.9
From one to five years	41.9	31.4
Prepayments and accruals		
Under 1 year	6.3	5.0
From one to five years	-	-

NOTE 9 MARKETABLE SECURITIES

In millions of euros	Gross value as at 31/12/2017	Impairments	Net value as at 31/12/2017	Net value as at 31/12/2016
Open-ended investment companies (SICAVs) and mutual funds	203.1	-	203.1	297.3
Negotiable debt securities	1,437.0	-	1,437.0	850.0
Treasury shares ¹	427.4	-	427.4	262.0
MARKETABLE SECURITIES	2,067.4	-	2,067.4	1,409.4

(1) Includes 1,328,163 Hermès International treasury shares acquired under free share allocation plans for employees, and valued at the acquisition price. These shares are to be added to the 87,539 other treasury shares held as financial assets (see Note 7).

NOTE 10 EQUITY

As at 31 December 2017, 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 2016.

NOTE 11 PROVISIONS AND IMPAIRMENT

In millions of euros	Note	31/12/2016	Depreciations	Reversals		31/12/2017
				Provisions used	Provisions not used	
Provisions for impairment		575.3	80.7	(35.6)	-	620.4
Financial assets	7	481.9	21.7	(31.3)		472.3
Trade and other receivables		93.3	59.0	(4.3)		148.1
Regulated provisions		0.4	0.2	-	(0.2)	0.4
Accelerated depreciation		0.4	0.2		(0.2)	0.4
Provisions for risks and expenses ¹		177.2	102.9	(23.6)	(0.1)	256.4
TOTAL		753.2	183.7	(59.2)	(0.3)	877.5

(1) The provisions for risks and expenses mainly include the cost of the free share allocation plans granted in May 2012 and 2016 (€143.9 million); they also include retirement benefits and expenses associated with the supplementary pension plan for senior executives and senior managers, risks inherent in subsidiaries in accordance with accounting rules and methods corresponding to negative equity shares, and ongoing litigation.

NOTE 12 ANALYSIS OF LIABILITIES BY MATURITY

In millions of euros	31/12/2017			31/12/2016
	< 1 year	> 1 year and < 5 years	Net amount	Net amount
Financial debts	6.5	18.0	24.5	22.3
Bank borrowings ¹	1.2	-	1.2	0.5
Miscellaneous borrowings and financial liabilities ²	5.3	18.0	23.2	21.9
Operating liabilities	57.1	4.4	61.5	54.5
Trade and other payables ³	22.1		22.1	18.3
Tax and social-security liabilities ⁴	35.0	4.4	39.4	36.2
Miscellaneous liabilities	425.9	9.7	435.5	343.2
Amounts payable to fixed asset suppliers	2.2		2.2	2.3
Others ⁵	423.7	9.7	433.4	340.9
TOTAL	489.5	32.0	521.5	420.0

- (1) Bank overdrafts.
(2) Funds held in trust for employees under the statutory employee profit-sharing plan.
(3) Including €12.3 million in invoices not yet received and €3.7 million with related companies.
(4) Including €21.1 million in tax and employee-related provisions payable.
(5) Mainly comprise financial current accounts of subsidiaries amounting to €401.8 million.

<i>In millions of euros</i>	31/12/2017	31/12/2016
Financial debts		
♦ Under 1 year	6.5	2.6
♦ From one to five years	18.0	19.7
Operating liabilities		
♦ Under 1 year	57.1	53.1
♦ From one to five years	4.4	1.4
Miscellaneous liabilities		
♦ Under 1 year	425.9	338.2
♦ From one to five years	9.7	5.0

NOTE 13 NET CASH POSITION

	2017	2016	Change
Marketable securities	1,640.0	1,147.3	492.7
Cash at bank and in hand	479.9	577.5	(97.6)
Bank overdrafts	(1.2)	(0.5)	(0.7)
NET CASH POSITION	2,118.7	1,724.4	394.3

Treasury shares are excluded from the marketable securities presented in net cash.

NOTE 14 RELATED-PARTY TRANSACTIONS

Transactions with companies accounted for by the equity method were not material by comparison with the overall business activities of Hermès International in 2017.

The companies mentioned below are considered related parties insofar as certain members of management of the Company or certain members of the Supervisory Board have personal interests therein and exercise significant influence. Relationships with related parties are summarised as follows:

- ♦ **Émile Hermès SARL, Active Partner:** Émile Hermès SARL is a *société à responsabilité limitée à capital variable* (limited company with variable capital). Its partners are the direct descendants of Mr Émile-Maurice Hermès and his wife. Émile Hermès SARL's Executive Chairman is Mr Henri-Louis Bauer.

- ♦ **Trademark license agreements:** Hermès International receives brand royalties from Hermès Sellier (€108.3 million), Comptoir Nouveau de la Parfumerie (€13.3 million), La Montre Hermès (€3.5 million) and Faubourg Italia (€0.2 million).

The Company is governed by 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 expenses incurred. Hermès International charged back €0.2 million in this respect in 2017 and in 2016.

- ♦ **RDAI:** architectural firm RDAI is involved in the design and interior layout work of the head office, as well as the assignment consisting of design work to apply the architectural concept to all Hermès stores. The amounts paid in 2017 came to €0.2 million.

NOTE 15 EXPOSURE TO MARKET RISKS AND FINANCIAL COMMITMENTS

15.1 Foreign exchange risk

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.

15.1.1. 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	10% sensitivity
As at 31/12/2017							
US dollar	(163.3)	15.8	(147.5)	141.6	(5.9)	96%	(0.7)
Pound sterling	(81.8)	3.8	(78.0)	76.9	(1.1)	99%	(0.1)
Yuan	4.9	7.9	12.8	(13.7)	(0.9)	107%	(0.1)
Yen	1.4	9.6	11.0	(13.4)	(2.4)	122%	(0.3)
Singapore dollar	1.3	8.9	10.2	(12.5)	(2.3)	122%	(0.3)
Swiss franc	1.6	8.5	10.1	(12.4)	(2.2)	122%	(0.2)
Hong Kong dollar	1.2	4.8	6.0	(6.2)	(0.3)	104%	(0.0)
Danish krone	4.1	0.0	4.1	(4.0)	0.1	99%	0.0
Brazilian real	2.6	-	2.6	(2.7)	(0.1)	105%	(0.0)
Canadian dollar	0.5	1.7	2.1	(2.1)	(0.0)	100%	(0.0)
Australian dollar	0.4	1.6	2.0	(1.9)	0.2	92%	0.0
Rouble	0.1	0.8	0.9	(0.8)	0.0	98%	0.0
Mexican peso	0.1	0.3	0.3	(0.4)	(0.1)	121%	(0.0)
Thai baht	0.1	0.2	0.3	(0.0)	0.3	0%	0.0
Czech crown	0.0	0.1	0.1	(0.1)	0.0	74%	0.0
Indian rupee	-	0.1	0.1	0.4	0.5	(729)%	0.1
Turkish lira	(0.0)	0.1	0.0	(0.1)	(0.1)	253%	(0.0)
Emirati dirham	(0.0)	-	(0.0)	-	(0.0)	-	(0.0)
Summary	(226.8)	64.1	(162.8)	148.4	(14.4)	91%	(1.6)
As at 31/12/2016							
Hong Kong dollar	(103.2)	3.4	(99.8)	100.1	0.4	100%	0.0
US dollar	(90.7)	11.9	(78.9)	78.8	(0.1)	100%	(0.0)
Pound sterling	(29.9)	2.5	(27.5)	27.8	0.4	101%	0.0
Yen	2.4	6.4	8.8	(6.6)	2.3	74%	0.3
Yuan	4.6	4.0	8.6	(8.1)	0.5	94%	0.1
Swiss franc	0.6	7.9	8.5	(10.8)	(2.3)	127%	(0.3)
Singapore dollar	1.6	5.6	7.3	(7.7)	(0.4)	105%	(0.0)
Canadian dollar	0.3	0.8	1.1	(0.9)	0.3	77%	0.0
Australian dollar	(2.4)	1.7	(0.7)	0.3	(0.4)	42%	(0.0)
Mexican peso	0.1	0.4	0.4	(0.6)	(0.2)	144%	(0.0)
Rouble	0.1	0.2	0.3	(0.5)	(0.1)	140%	(0.0)
Thai baht	0.0	0.1	0.1	0.0	0.1	(0)%	0.0
Turkish lira	0.1	-	0.1	(0.0)	0.1	0%	0.0
Czech crown	0.0	0.0	0.0	(0.0)	(0.0)	100%	(0.0)
Emirati dirham	(0.0)	-	(0.0)	-	(0.0)	-	(0.0)
Summary	(216.4)	45.0	(171.4)	171.9	0.5	100%	0.1

(1) Purchase/(Sale).

15.1.2. 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 the contracts as at 31/12/2017 ¹
Options purchased			
US dollar put	34.0	34.0	3.3
US dollar collar	135.9	135.9	12.8
Japanese yen put	23.1	23.1	2.1
Japanese yen collar	115.6	115.6	10.2
Hong Kong dollar put	22.5	22.5	2.2
Hong Kong dollar collar	90.1	90.1	8.6
Singapore dollar put	16.2	16.2	0.9
Singapore dollar collar	113.1	113.1	5.4
Chinese yuan put	12.2	12.2	0.9
Chinese yuan collar	85.5	85.5	4.8
	648.2	648.2	51.4
Forward currency agreements ²			
US dollar	(154.6)	(154.6)	(11.1)
Yen	(129.1)	(129.1)	(11.1)
Hong Kong dollar	(107.8)	(107.8)	(8.6)
Singapore dollar	(120.3)	(120.3)	(3.8)
Yuan	(89.9)	(91.8)	(0.0)
Swiss franc	8.5	8.5	0.6
Pound sterling	3.7	3.7	0.0
Australian dollar	1.6	1.6	0.1
Brazilian real	2.7	2.7	0.1
Canadian dollar	1.7	1.7	0.0
Other	0.8	0.8	0.0
	(582.7)	(584.7)	(33.7)
Currency swaps ²			
US dollar	(156.8)	(164.8)	(1.3)
Yen	3.8	1.1	0.0
Hong Kong dollar	1.4	1.4	0.0
Singapore dollar	3.5	3.4	0.0
Yuan	5.8	3.5	0.0
Swiss franc	3.9	(0.2)	0.0
Pound sterling	(80.6)	(86.8)	0.3
Australian dollar	0.3	0.4	(0.0)
Danish krone	4.0	3.7	0.0
Canadian dollar	0.5	0.5	(0.0)
Other	0.3	(0.4)	0.0
	(213.8)	(238.1)	(0.8)
TOTAL	(148.4)	(174.6)	16.8

(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 the contracts as at 31/12/2016 ¹
Options purchased			
US dollar put	36.5	36.5	0.5
US dollar collar	182.7	182.7	(1.8)
Japanese yen put	22.7	22.7	1.2
Japanese yen collar	100.5	100.5	3.2
Hong Kong dollar put	23.5	23.5	0.4
Hong Kong dollar collar	117.5	117.5	(0.9)
Singapore dollar put	20.4	20.4	0.6
Singapore dollar collar	132.5	132.5	2.7
Chinese yuan put	12.6	12.6	0.8
Chinese yuan collar	82.0	82.0	4.1
	730.8	730.8	10.7
Forward currency agreements ²			
US dollar	(209.4)	(195.1)	12.6
Yen	(116.7)	(116.7)	(1.4)
Hong Kong dollar	(137.8)	(137.8)	8.0
Singapore dollar	(147.2)	(147.2)	3.1
Yuan	(90.5)	(90.5)	0.5
Swiss franc	7.9	7.9	(0.1)
Pound sterling	2.4	2.4	0.2
Australian dollar	1.7	1.7	(0.1)
Other	1.4	1.6	(0.1)
	(688.2)	(673.8)	22.7
Currency swaps ²			
US dollar	(88.7)	(112.3)	(0.9)
Yen	0.1	0.1	0.0
Hong Kong dollar	(103.3)	(103.5)	(0.1)
Singapore dollar	2.0	2.0	0.0
Yuan	4.1	3.5	(0.0)
Swiss franc	2.9	2.9	(0.0)
Pound sterling	(30.3)	(30.3)	(0.6)
Australian dollar	(2.0)	(2.0)	(0.0)
Other	0.6	2.1	(0.0)
	(214.5)	(237.4)	(1.6)
TOTAL	(171.9)	(180.5)	31.7

(1) Gain/(Loss).

(2) (Purchase)/Sale.

15.2 Other financial commitments as of 31 December 2017

<i>In millions of euros</i>	31/12/2017	31/12/2016
Bank guarantees given ¹	0.6	0.7
Irrevocable commitments to purchase financial assets	23.5	21.6
Other commitments ²	119.2	157.3
TOTAL	143.3	179.6

(1) The guarantees assumed on behalf of subsidiaries are re-invoiced to the beneficiary subsidiaries.

(2) The other commitments primarily relate to lease payments by Hermès International or by subsidiaries, for which Hermès International is the guarantor.

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 a rate that aligns with the market banking conditions.

As at 31 December 2017, the amounts drawn on these credit facilities amounted to €5 million and €27 million, respectively.

Also, 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 €149.1 million as at 31 December 2017, versus €132.6 million as at 31 December 2016.

NOTE 16 EMPLOYEES

The Company’s average number of employees is broken down as follows:

	31/12/2017	31/12/2016
Executives and managers	367	355
Non-management staff	32	29
TOTAL	399	384

As part of the reform of professional training, the individual training entitlement has been replaced by the personal training account with effect from 1 January 2015. Entitlements under the personal training account

are now attached to each employee and follow employees throughout their working lives, irrespective of employer.

NOTE 17 POST-EMPLOYMENT BENEFIT OBLIGATIONS

As at 31 December 2017, the value of post-employment benefit obligations amounted to €90.1 million versus €92.0 million as at 31 December 2016. 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 €14.0 million.

After applying the "corridor" method, actuarial gains and losses amounted to €62.5 million as at 31 December 2017 compared with €65.3 million as at 31 December 2016.

The provision recorded at end-December 2017 amounted to €21.3 million and corresponds to the total value of the commitment (€90.1 mil-

lion), less the fair value of pension assets (€14 million), and actuarial gains and losses (€62.5 million) plus past service costs (€7.7 million).

For FY 2017, the following actuarial assumptions were used:

♦ retirement age:	62 to 65 years of age
♦ increase in salaries:	3 to 4%
♦ discounting rate:	0.9% to 1.3%
♦ expected rate of return on plan assets:	1.8% to 2.8%

NOTE 18 COMPENSATION OF CORPORATE OFFICERS

Gross aggregate compensation paid to Corporate Officers in respect of 2017 amounted to €4.6 million, including €0.6 million in directors' fees.

6.6 LIST OF INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES AS AT 31 DECEMBER 2017

INVESTMENT SECURITIES AND OTHER LONG-TERM SECURITIES

<i>In millions of euros</i>	Number of shares	Net values
Carrying amounts of more than €100,000		
ARDIAN Holding	9,910,780	9,911
Compagnie Hermès de Participations	4,200,000	30,596
CHP2	100,000	1,010
CHP3	50,050,000	50,005
Comptoir Nouveau de la Parfumerie	753,501	27,146
ERM Warenhandels GmbH	1	2,498
Faubourg Italia	60	1,674
Financière Saint-Honoré	3,000	1,694
Grafton Immobilier	5,174,500	82,792
Herlee	50,000,000	19,511
Hermès Asia-Pacific	315,000,000	43,483
Hermès Australia	6,500,000	4,409
Hermès Benelux Nordics	57,974	3,164
Hermès Do Brasil Industria E Comercio Ltda	43,404,646	2,216
Hermès Canada	1,000	1,501
Hermès de Paris (Mexico)	6,218,525	1,440
Hermès GmbH	1	7,218
Hermès Grèce	566,666	1,700
Hermès Holding GB	7,359,655	10,535
Hermès Iberica	69,311	4,952
Hermès Immobilier Genève	70,000	44,457
Hermès Internacional Portugal	799,200	999
Hermès Istanbul	259,999	2,996
Hermès Italie	458,000	25,202
Hermès India	4,813,074	822
Hermès Japon	4,400	13,727
Hermès Middle East South Asia	2,100	103
Hermès Monte-Carlo	13,198	201
Hermès of Paris	114,180	10,903
Hermès Prague	38,000	1,090
Hermès Sellier	310,279	4,788
Hermès RUS AO Travel Retail Asia	1,000,000	2,201
Holding Textile Hermès	45,151,350	90,685
Maroquinerie de Belley	1,566,064	2,299
Maroquinerie de Normandie	650,000	1,360
Maroquinerie de Saint-Antoine	1,679,503	1,132
Maroquinerie de Sayat	500,000	1,503
Maroquinerie des Ardennes	284,063	10,527
Maroquinerie Iséroise	4,617,000	1,545
Maroquinerie Thierry	1,899	161

<i>In millions of euros</i>	Number of shares	Net values
SC Honossy	210,099	3,203
SCI Auger-Hoche	126,945,488	131,242
SCI Boissy Les Mûriers	8,699	1,326
SCI Boissy Nontron	99,999	642
SCI Les Capucines	39,999	995
SCI Immauger	1,375	2,096
Hermès RUS AO	1	278
Carrying amounts of less than €100,000		323
TOTAL		664,262

6.7 TABLE OF SUBSIDIARIES AND ASSOCIATES AS AT 31 DECEMBER 2017

	Registered office	Currency	Share capital
A – Detailed information on investments in subsidiaries and associates with a net carrying value exceeding 1% of the share capital of Hermès International			
1. Subsidiaries (at least 50% owned by the Company)			
Compagnie Hermès de Participations	Paris	EUR	42,000
CHP2	Paris	EUR	100
CHP3	Paris	EUR	50,050
Comptoir Nouveau de la Parfumerie	Paris	EUR	9,072
ERM Warenhandels GmbH	Vienna (Austria)	EUR	35
Faubourg Italia	Milan (Italy)	EUR	100
Financière Saint-Honoré	Geneva (Switzerland)	CHF	3,000
Grafton Immobilier	Paris	EUR	82,792
Hermès Do Brasil Industria E Comercio Ltda	São Paulo (Brazil)	BRL	43,405
Herlee	Causeway Bay (Hong Kong)	HKD	65,000
Hermes Asia-Pacific	Causeway Bay (Hong Kong)	HKD	315,000
Hermès Australia	Sydney (Australia)	AUD	6,500
Hermès Benelux Nordics	Brussels (Belgium)	EUR	2,665
Hermès Canada	Toronto (Canada)	CAD	2,000
Hermès de Paris (Mexico)	Mexico City (Mexico)	MXN	11,472
Hermès GmbH	Munich (Germany)	EUR	7,200
Hermès Grèce	Athens (Greece)	EUR	1,700
Hermès Holding GB	London (United Kingdom)	GBP	7,360
Hermès Iberica	Madrid (Spain)	EUR	4,228
Hermès Immobilier Genève	Geneva (Switzerland)	CHF	70,000
Hermès India	New Delhi (India)	INR	94,355
Hermès Internacional Portugal	Lisbon (Portugal)	EUR	800
Hermès Istanbul	Istanbul (Turkey)	TRY	6,500
Hermès Italie	Milan (Italy)	EUR	7,786
Hermès Japon	Tokyo (Japan)	JPY	220,000
Hermès of Paris	New York (USA)	USD	11,418
Hermès Prague	Prague (Czech Republic)	CZK	8,018
Hermès Sellier	Paris	EUR	4,976
Hermès Travel Retail Asia	Singapore (Singapore)	SGD	1,000
Holding Textile Hermès	Lyon	EUR	46,686
Maroquinerie de Belley	Paris	EUR	1,566
Maroquinerie de Normandie	Pantin	EUR	650
Maroquinerie de Saint-Antoine	Pantin	EUR	1,680
Maroquinerie de Sayat	Pantin	EUR	500
Maroquinerie des Ardennes	Paris	EUR	4,545
Maroquinerie Iséroise	Les Abrets	EUR	4,617
SC Honossy	Paris	EUR	3,151
SCI Auger-Hoche	Pantin	EUR	126,946
SCI Boissy Les Mûriers	Paris	EUR	1,322
SCI Boissy Nontron	Paris	EUR	1,000
SCI Capucines	Bons-en-Chablais	EUR	609
SCI Immauger	Paris	EUR	2,269

Equity in thousands of local currency	Proportionate share of capital held in %	Gross value of shares owned in thousands of euros	Net value of shares owned in thousands of euros	Outstanding loans and advances in thousands of euros	Guarantees given in thousands of euros	Revenue in thousands of euros	Profit or loss in the period in thousands of euros	Dividends received in the year in thousands of euros
30,596	100.00%	42,013	30,596	-	-	-	(2,530)	-
1,286	100.00%	1,010	1,010	-	-	-	1,053	-
50,005	100.00%	50,360	50,005	-	-	-	(21)	-
33,920	99.67%	27,146	27,146	-	-	266,064	21,001	21,098
123	100.00%	2,498	2,498	-	-	412	46	50
2,853	60.00%	2,000	1,674	-	-	4,196	559	216
55,935	100.00%	1,694	1,694	-	-	-	17,079	-
86,440	100.00%	82,792	82,792	-	-	-	4,453	-
23,907	100.00%	13,310	2,216	-	-	12,982	(2,624)	-
1,032,628	76.92%	19,511	19,511	-	-	37,508	109,380	44,467
1,894,454	100.00%	43,483	43,483	-	-	347,986	231,260	233,466
31,673	100.00%	4,409	4,409	-	-	79,515	16,751	17,070
10,573	100.00%	3,164	3,164	-	-	61,648	7,539	5,403
30,678	100.00%	1,501	1,501	-	-	71,843	18,047	13,384
227,763	54.21%	1,440	1,440	-	-	20,673	2,235	-
30,669	100.00%	7,218	7,218	-	10	149,212	23,235	21,000
2,939	100.00%	1,700	1,700	-	-	8,206	999	521
88,694	100.00%	10,535	10,535	-	225	-	21,475	-
15,972	100.00%	4,952	4,952	-	-	61,837	10,735	9,357
68,800	100.00%	44,457	44,457	-	-	-	1,062	-
329,446	51.01%	822	822	-	-	-	1,937	-
2,293	99.90%	999	999	-	-	6,926	1,332	775
23,932	100.00%	2,996	2,996	-	-	10,483	3,061	1,941
35,837	100.00%	25,202	25,202	-	-	165,795	26,252	21,526
30,922,983	100.00%	13,727	13,727	-	-	684,135	123,949	129,903
644,195	100.00%	10,903	10,903	-	-	813,219	125,062	-
58,300	100.00%	1,090	1,090	-	-	7,942	1,865	1,742
421,065	99.77%	4,788	4,788	-	203	2,490,586	388,361	190,822
269,380	100.00%	2,201	2,201	-	-	125,603	155,160	145,803
96,987	96.71%	90,685	90,685	-	-	162,405	1,755	-
776	100.00%	13,165	2,299	-	-	13,108	(2,693)	-
1,060	100.00%	4,010	1,360	-	-	6,585	(2,001)	-
914	100.00%	13,313	1,132	-	-	8,757	(781)	-
(738)	100.00%	11,768	1,503	-	-	18,355	(1,374)	-
10,988	100.00%	10,527	10,527	-	-	20,000	744	2,599
900	100.00%	12,537	1,545	-	-	10,533	(2,674)	-
4,250	100.00%	3,203	3,203	-	-	-	197	-
135,643	100.00%	131,242	131,242	-	-	-	938	-
8,333	99.99%	1,326	1,326	-	-	-	512	-
642	100.00%	1,000	642	-	-	-	(2)	-
737	100.00%	995	995	-	-	-	75	-
3,537	92.34%	2,096	2,096	-	-	-	119	-

6

	Registered office	Currency	Share capital
B – Aggregate information on other subsidiaries and associates			
1. Subsidiaries (not included in A)			
♦ French (aggregate)			
♦ Foreign (aggregate)			
2. Associates (not included in A)			
♦ in French companies (aggregate)			
♦ in foreign companies (aggregate)			
TOTAL			

Equity <i>in thousands of local currency</i>	Proportionate share of capital held <i>in %</i>	Gross value of shares owned <i>in thousands of euros</i>	Net value of shares owned <i>in thousands of euros</i>	Outstanding loans and advances <i>in thousands of euros</i>	Guarantees given <i>in thousands of euros</i>	Revenue <i>in thousands of euros</i>	Profit or loss in the period <i>in thousands of euros</i>	Dividends received in the year <i>in thousands of euros</i>
		389,981	464	-	67	27,863	(62,888)	4,499
		4,701	384	-	1,401	-	16,127	10,506
		10,073	10,073	-	-	-	82,478	17,904
		52	52	-	-	-	1,625	1,783
		1,128,595	664,257	-	1,906			895,835

6.8 INFORMATION ON DUE DATES

6.8.1 ACCOUNTS PAYABLE

Invoices received but not paid at date of closure including overdue (table provided in I of Article D. 441-4)					
Article D. 441 – I.-1°: Invoices received but not paid at year-end close, which are overdue					
	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					99
Amount Total amount of the invoices involved Excluding tax in millions of euros		0.3	0.0	0.0	0.4
Percentage of the total amount of purchases excluding tax for the financial year		0.3%	0.0%	0.0%	0.3%
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 received that were paid late during the financial year					
Article D. 441 – I: Invoices received that were paid late during the financial year					
	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					1275
Amount Total amount of the invoices involved Excluding tax in millions of euros		3.9	1.8	1.0	6.7
Percentage of the total amount of purchases excluding tax for the financial year		3.4%	1.5%	0.9%	5.8%
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		

6.8.2 ACCOUNTS RECEIVABLE

Invoices issued but not paid at year-end close including overdue (table provided in I of Article D. 441-4)					
Article D. 441 - I.-2°: Invoices issued but not paid at year-end close, which are overdue					
	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					305
Amount Total amount of the invoices involved Excluding tax in millions of euros		0.5	0.7	5.0	6.2
Percentage of the total amount of purchases excluding tax for the financial year					
Percentage of revenue excluding tax for the financial year		0.3%	0.4%	2.9%	3.6%
(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 received that were paid late during the financial year					
Article D. 441 - I: Invoices received that were paid late during the financial year					
	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					485
Amount Total amount of the invoices involved Excluding tax in millions of euros		11.9	5.3	0.3	17.5
Percentage of the total amount of purchases excluding tax for the financial year					
Percentage of revenue excluding tax for the financial year		6.9%	3.1%	0.2%	10.1%
(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 TABLE OF RESULTS OVER THE LAST FIVE FINANCIAL YEARS

	2017	2016	2015	2014	2013
Share capital at the end of the 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	216.6	177.6	207.2	161.9	189.9
Net income before tax, employee profit-sharing, amortisation, depreciation, provisions and impairment	842.5	1,165.2	961.9	605.8	626.2
Income tax (income)	(24.4)	5.8	28.3	(4.0)	(8.7)
Employee profit-sharing (expense)	4.5	3.9	3.9	4.4	4.1
Net income after tax, employee profit-sharing, amortisation, depreciation, provisions and impairment	778.3	1,091.2	842.8	587.7	544.3
Profits distributed as dividends (including on treasury shares)	965.9	403.2	359.3	843.2	288.7
Earnings per share in euros					
Net income after tax and employee profit-sharing but before amortisation, depreciation, provisions and impairment	8.17	10.95	8.81	5.73	5.98
Net income after tax, employee profit-sharing, amortisation, depreciation, provisions and impairment	7.37	10.34	7.98	5.57	5.16
Net dividend paid per share	9.10 ¹	3.75	3.35	7.95 ²	2.70
Employees					
Number of employees (average workforce)	399	384	369	347	331
Total payroll in millions of euros	49.4	47.0	45.6	37.5	38.1
Employee benefits paid in the year in millions of euros	29.1 ³	105.0	55.3	71.8	65.1

(1) Subject to approval by the Ordinary General Meeting of 5 June 2018. A proposal will be made for an ordinary dividend of €4.10, for which an interim dividend of €1.50 was paid on 22 February 2018. Furthermore, an extraordinary dividend of €5.00 per share will be proposed at the General Meeting.

(2) In 2014, an ordinary dividend of €2.95 and an extraordinary dividend of €5.00.

(3) In 2017, this figure only includes expenses relating to the free share allocation plans for Company employees (see Note 3 hereof).

6.10 STATUTORY AUDITORS' REPORT ON THE 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, such as information about the appointment of Statutory Auditors. 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 2017

To the Shareholders of Hermès International

1. OPINION

In compliance with the engagement entrusted to us by your shareholders' meeting, we have audited the accompanying financial statements of Hermès International for the year ended as at 31 December 2017.

In our opinion, the 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 2017 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 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 2017 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 judgment, were of most significance in our audit of the 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 financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the financial statements.

Description of risk

Valuation of equity investments - Notes 1.3 and 7 to the Annual Financial statements

As of 31 December 2017, the net amount of equity investments recognized as assets amounted to € 661.6 million.

Investment securities 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 actual value is based on criteria such as the share value in the adjusted net assets or the earnings prospects of the relevant subsidiary. These criteria are weighted by the effects of owning these shares in terms of strategy or synergies, in respect of other investments held.

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 equity investment to be a key audit matter.

How our audit addressed this risk

Our work, notably, consisted in:

- ◆ assessing the processes implemented by the Company used to determine the valuation of equity investment;
- ◆ checking used values determined by the management were appropriate and any impairment arising were calculated correctly; and
- ◆ checking recorded equity matched with annual financial statements of entities concerned, especially for valuations based on historical information.

In addition to assessing valuation of equity investment, we also verified, when appropriate, that a contingency provision is recognized if the company was committed to support the losses of a subsidiary with negative equity.

4. VERIFICATION OF THE MANAGEMENT REPORT AND OF THE OTHER DOCUMENTS PROVIDED TO SHAREHOLDERS

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law.

Information given in the management report and in the other documents provided to Shareholders with respect to the financial position and the 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 the Executive Management and in the other documents provided to the Shareholders with respect to the financial position and the financial statements.

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.

Concerning the information given in accordance with the requirements of Article L. 225-37-3 of the French Commercial Code (code de commerce) relating to remunerations and benefits received by the directors and any other commitments made in their favour, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your company from controlling and controlled companies. Based on these procedures, we attest the accuracy and fair presentation of this information.

Other information

In accordance with French law, we have verified that the required information concerning the purchase of investments and controlling interests and the identity of the shareholders and 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 the annual general meeting held on 30 May 2011 for PricewaterhouseCoopers Audit and on 31 May 1999 for Cabinet Didier Kling & Associés.

As at 31 December 2017, PricewaterhouseCoopers and Cabinet Didier Kling & Associés were in the 7th year and 19th year of total uninterrupted engagement respectively.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with French accounting principles and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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 Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The financial statements were approved by the Executive Management.

Statutory Auditors' Responsibilities for the Audit of the Financial Statements

Objectives and audit approach

Our role is to issue a report on the financial statements. Our objective is to obtain reasonable assurance about whether the 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 judgment throughout the audit and furthermore:

- ◆ identifies and assesses the risks of material misstatement of the 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 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 financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein;
- ◆ evaluates the overall presentation of the financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

Report to the Audit Committee

We submit a report to the Audit Committee which includes in particular 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 Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the 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 Committee with the declaration provided for in Article 6 of Regulation (EU) N° 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 Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Neuilly-sur-Seine, 26 March 2018

The Statutory Auditors

PricewaterhouseCoopers Audit

Olivier Auberty

Didier Kling & Associés

Member of Grant Thornton International

Didier Kling

Guillaume Giné

7

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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 accessible 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. Hermès International derives its funds from:
 - dividends received from subsidiaries,
 - royalties from trademarks, licensed exclusively to Group subsidiaries, to wit, Hermès Sellier (including the activity Hermès Horizons, which was integrated by transfer of all assets and liabilities on 31 August 2017), Comptoir Nouveau de la Parfumerie, La Montre Hermès, and Faubourg Italia (amounts concerning the 2017 financial year are presented on page 341).

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 140 subsidiaries and sub-subsidiaries. A simplified presentation of the Group appears on page 31.

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 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 296.

7.1.1.4 Active partner

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 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.

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).

7.1.1.5 Management bodies

The presentation of the Executive Management and the Supervisory Board is contained in Chapter 3 "Corporate governance", page 120 and 126.

7.1.1.6 Joint council

The Executive Management of Hermès International or the Chairman of the Supervisory Board of Hermès International shall convene a Joint Council meeting of the Executive Management Board of Émile Hermès SARL and the Supervisory Board of Hermès International whenever they deem it appropriate.

The Joint Council is an institution designed to enable broad collaborative efforts between the Active Partner's Executive Management Board, an internal body with a need to know the main aspects of Hermès International's management, and the Supervisory Board, which is appointed by 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 Supervisory Board does not have its own decision-making powers. It acts exclusively as a collaborative 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 establishment

The registered office of Hermès International is located at 24, rue du Faubourg-Saint-Honoré, 75008 Paris, France.

The Company's principal administrative establishment is located at 13-15, rue de la Ville-l'Évêque, 75008 Paris, France.

The legal department is located at 13-15, rue de la Ville-l'Évêque, 75008 Paris, France.

7.1.1.8 Date created – 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, 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 Euronext (Compartment A) since 2005.

7.1.1.10 Articles of Association of Hermès International with commentary

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 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 département, 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 - Ownership 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 five 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 the Shareholders' General Meetings.

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.

Double voting rights are automatically eliminated under the conditions stipulated by law.

Double voting rights were instituted by the shareholders at 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 - 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 should insolvency, receivership or compulsory liquidation proceedings 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 for 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 a resolution approved by the Active Partners, with the reasoned opinion of the Supervisory Board, dated 4 June 2013 (appointment effective as of 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).*

From 4 June 2013 to 31 January 2014, Article 15.1 of the Articles of Association was amended to allow for the temporary appointment of a third Executive Chairman.

This triple stewardship was intended for the sole purpose of preparing for the succession of Patrick Thomas, the reason for which it was implemented temporarily. Executive Management took note on 31 January 2014 of the expiry of the mandate period of the Executive Chairman, Patrick Thomas, who resigned, and withdrew the provisional reference of the Articles of Association.

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 75 years of age.

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 of the Executive Chairmen are presented in the Supervisory Board's corporate governance report (see Chapter 3 "Governance of the Supervisory Board", pages 155 and 156) and in the presentation of the resolutions, pages 329 to 333.

18 - Supervisory Board

The composition of the Supervisory Board is described in the corporate governance report of the Supervisory Board, on the corporate governance, page 129. The provisions of Article L. 226-4-1 of the French Commercial Code (Code de commerce), that require that the proportion of the members of the Supervisory Board of each gender must not be below 40% at the close of the Ordinary General Meeting on or after 1 January 2017, 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 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 22 March 2012, the Active Partner had set the number of Supervisory Board members at 11.

In a decision dated 21 March 2017, the Active Partner increased the number of Supervisory Board members to 13 (including employee representatives, as of 6 June 2017) in anticipation of the appointment by the Combined General Meeting of 6 June 2017 of two new members to the Supervisory Board.

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.

19 - Deliberations of the Supervisory Board

The conditions for preparation and organisation of the Supervisory Board's work are described in the corporate governance report of the Supervisory Board, page 117.

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 for their consideration 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 year ended 31 December 2017 is presented on pages 338 and 339.

This report, together with the Company's statement of financial position 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 shareholders' Ordinary General Meeting 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.

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.

Furthermore, 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 - Accounts

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 apportion 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 who 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 295 describes the control exercised by the company Émile Hermès SARL over Hermès International. The operation of Émile Hermès SARL, Active Partner, was not affected by the set-up of the H51 SAS company in 2011.

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, no person shall be a partner if, for each share they own in Émile Hermès SARL, they do 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).

7.1.2.4 Executive Chairman

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 contained in Chapter 3 “Corporate governance” page 119.

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 (draft 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 created – Trade and Company Register – registered office

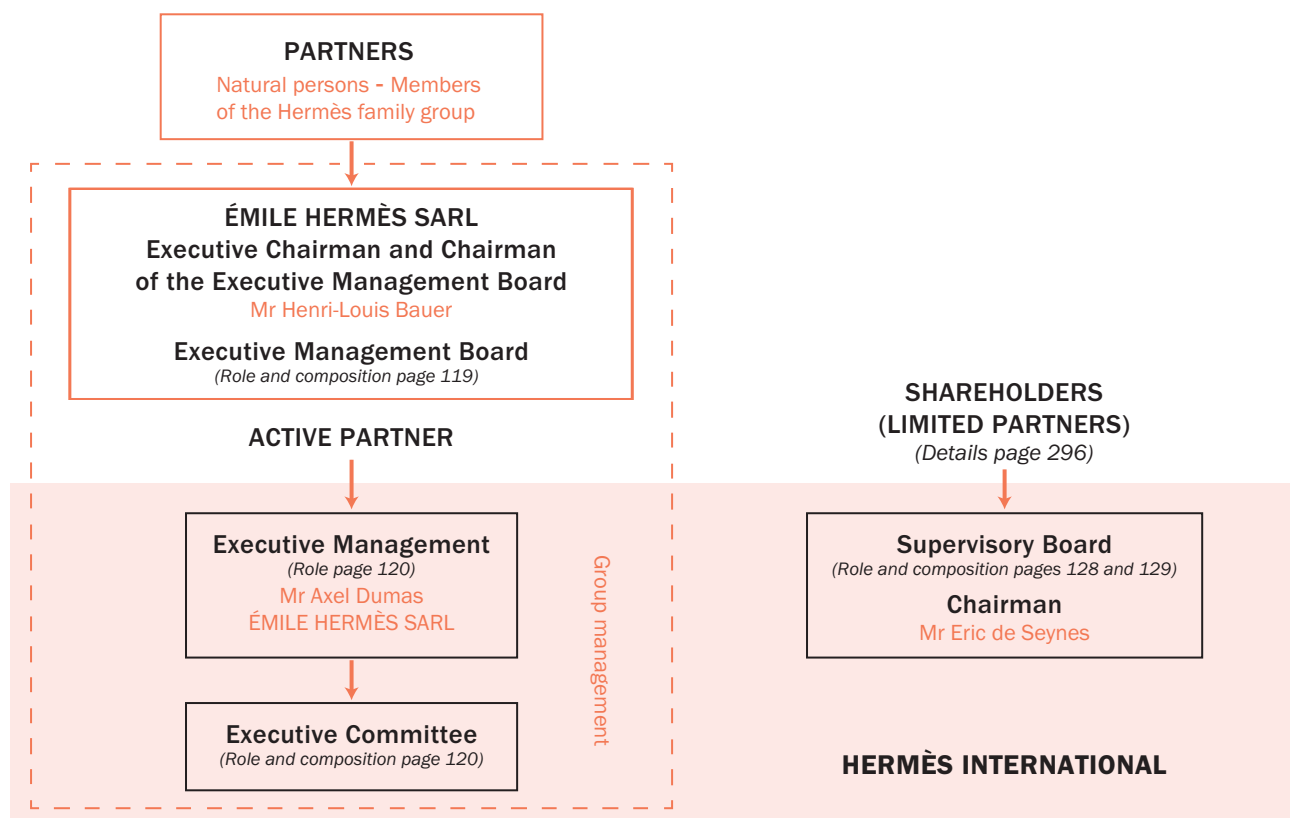
Émile Hermès SARL was created on 2 November 1989. It is registered with the Paris Trade and Company Register under number 352. Its registered office is located at 23, rue Boissy-d’Anglas, 75008 Paris, France.

7.1.2.7 Share capital – statement of financial position – net income

The authorised share capital is €343,840 and the share capital under the Articles of Association was €110,876 as at 31 December 2017.

It is divided into 27,719 shares with a par value of €4 each. As at 31 December 2017, Émile Hermès SARL had total assets of €50,141,004, including net income for the year of €4,854,153.65.

7.1.3 ORGANISATIONAL STRUCTURE OF HERMÈS INTERNATIONAL



7.2 INFORMATION ON SHARE CAPITAL AND SHAREHOLDERS

7.2.1 INFORMATION ON THE SHARE CAPITAL

7.2.1.1 Share capital

	Amount	Number	Par value
As at 1/1/2017	€53,840,400.12	105,569,412	€0.51
As at 31/12/2017	€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: <http://finance.hermes.com>, Regulated Information tab.

As at 28 February 2018, the total number of voting rights (including shares deprived of voting rights) was 174,946,564. 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 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 of 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 286).

7.2.1.3 Changes in share capital over the past three financial years

No change of capital occurred over the last three financial years

7.2.2 INFORMATION ON THE 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 identifiables) to identify its shareholders. During the study of 29 December 2017, there were about 101,000 shareholders; there were approximately 87,000 as at 31 December 2016 and about 90,000 as at 31 December 2015.

7.2.2.2 Percentage of individual shareholders

The percentage of individual shareholders was 5.6% in December 2017, compared with 5.4% in the same period in 2016. Grouping the registered shares held as at 31 December 2017 by the individual shareholders and the bearer shares identified by the TPI on 29 December 2017, excluding holdings by the family groups.

7.2.2.3 Main shareholders as at 31 December 2017 – 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 SAS, a majority shareholding (in capital and voting rights) within the Company in the capacity of 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 SAS and H2 SAS 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 296, 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 page 180.

Material changes in ownership of the share capital over the past three years are described below, under “Crossing of thresholds”. To the Company’s knowledge, the organisation of the Hermès family group has not been significantly modified since the incorporation of the company H51 SAS.

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 undertook to distribute to its shareholders all of the shares that it held in Hermès International, followed by the distribution by Financière Jean Goujon and Christian Dior to their own shareholders of shares thus received from LVMH Moët Hennessy – Louis Vuitton. The share distributions were implemented at the end of 2014 and the start of 2015, with LVMH Moët Hennessy – Louis Vuitton and Christian Dior holding only a residual balance of the Hermès International shares, which they disposed of no later than 2 September 2015. LVMH Moët Hennessy - Louis Vuitton (in its own name and on behalf of its subsidiaries), Christian Dior (in its own name and on behalf of its subsidiaries) and Financier Jean Goujon (in its own name and on behalf of its subsidiaries) undertook to no longer hold any Hermès International shares for a period of five years. The family-owned group Arnault also committed, for the same period, not to hold a number of Hermès International shares exceeding the number it received as part of the allocations provided for under the transaction carried out on 3 September 2014.

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 298).

On 21 July 2017, the Hermès family group declared that it held nearly 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 298).

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 2017 and the date on which this registration document was filed with the AMF.

Measures taken to prevent abusive control

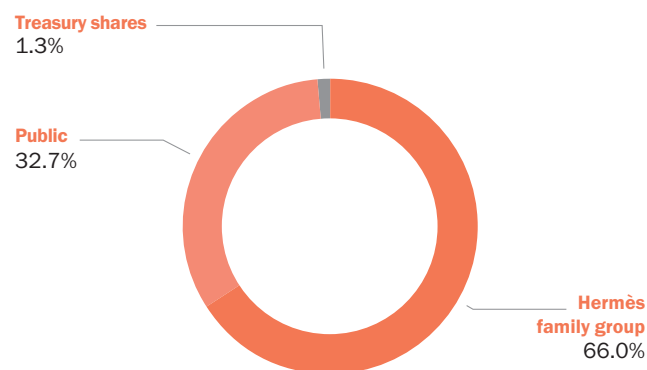
Refer to Chapter 3 “Corporate Governance”, page 117, and to the paragraph “Management of conflicts of interest”, page 144.

7.2.2.4 Treasury Shares

On 31 December 2017, Hermès International held 1,415,702 treasury shares, representing 1.3% of its share capital, acquired as part of the share buyback programme presented on page 299.

7.2.2.5 Ownership of share capital and voting rights as at 31 December 2017

BREAKDOWN OF THE SHAREHOLDERS AT 31/12/2017



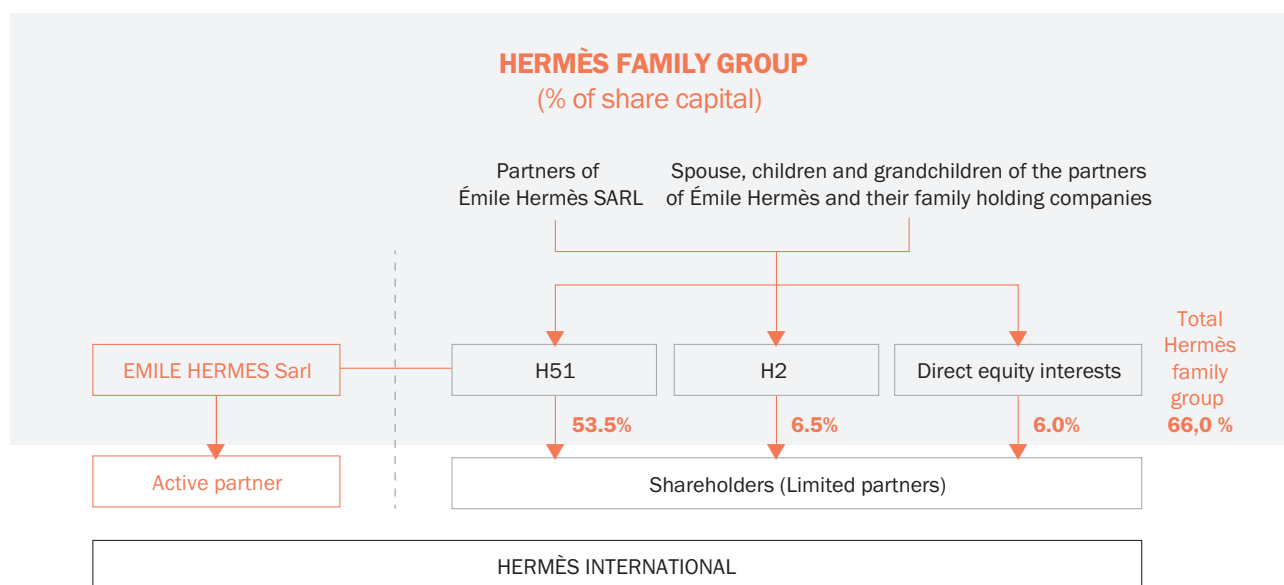
As at 31 December 2017 and to the Company's knowledge, the distribution of the share capital and voting rights of the Company was as follows:

	Share capital		Voting rights ¹			
			Allocation of net income		Other	
	Number	%	Number	%	Number	%
H51 SAS	56,440,149	53.5	109,548,948	63.3	109,548,948	63.3
H2 SAS	6,876,102	6.5	137,122,04	7.9	13,712,204	7.9
Other members of the Hermès family group	6,294,654	6.0	7,872,995	4.6	11,952,995	6.9
Subtotal Hermès family group ²	69,610,905	66.0	131,134,147	75.8	135,214,147	78.2
Public ^{3,4}	34,542,805	32.7	41,843,755	24.2	37,763,755	21.8
Nicolas Puech ⁵	-	-	-	-	-	-
Treasury shares	1,415,702	1.3	-	0.0	-	0.0
TOTAL	105,569,412	100.0	172,977,902	100.0	172,977,902	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 made for 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 distribution of voting rights are detailed on page 294.
- (2) The Hermès family group is composed of the partners of Émile Hermès SARL, their spouses, children and grandchildren, their asset holdings, and direct and indirect shareholders in Hermès International and Émile Hermès SARL.
- (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 298.
- (5) Mr Nicolas Puech did not indicate the number of shares he held in Hermès International. However, on 10 February 2018, he did declare that he had not crossed any thresholds. This statement implies that, as at 31 December 2017, Mr Nicolas Puech held or was entitled to hold between 5% and 10% of the share capital of Hermès International. Not having specific information on the size of Mr Nicolas Puech's shareholding, its participation is integrated under the "Public" heading in 2017.

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 295.



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 the following:

Shareholders holding more than 5% of the capital or voting rights	31/12/2017			31/12/2016			31/12/2015		
	Share capital	Voting rights ¹		Share capital	Voting rights ¹		Share capital	Voting rights ¹	
		Allocation of net income	Other		Allocation of net income	Other		Allocation of net income	Other
H51 SAS	53.5%	63.3%	63.3%	52.6%	62.7%	62.7%	52.6%	62.7%	62.7%
H2 SAS	6.5%	7.9%	7.9%	6.5%	7.6%	7.6%	6.5%	7.0%	7.0%
Other members of the Hermès family group	6.0%	4.6%	6.9%	6.0%	4.5%	6.9%	6.1%	4.4%	6.7%
Subtotal Hermès family group ²	66.0%	75.8%	78.2%	65.1%	74.8%	77.2%	65.2%	74.1%	76.4%
Semyrhamis	-	-	-	8.3%	5.1%	5.1%	8.3%	5.1%	5.1%
Famille Arnault	-	-	-	0.2%	0.1%	0.1%	0.2%	0.1%	0.1%
Subtotal Arnault family group ³	-	-	-	8.5%	5.2%	5.2%	8.5%	5.2%	5.2%
Public ^{4,5}	32.7%	24.2%	21.8%	25.4%	20.0%	17.6%	19.4%	17.3%	14.9%
Nicolas Puech ⁶	-	-	-	-	-	-	5.8%	3.5%	3.5%
Treasury shares	1.3%	0.0%	0.0%	1.0%	0.0%	0.0%	1.1%	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 made for 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 publishing and allocating voting rights are detailed on page 294.
- (2) The Hermès family group is composed of the partners of Émile Hermès SARL, their spouses, children and grandchildren, their asset holdings, and direct and indirect shareholders in Hermès International and Émile Hermès SARL.
- (3) The lines composing this subtotal were established:
 - for 2017, according to the threshold-crossing declaration of 11 July 2017 on page 298, the participation of the Arnault family group is integrated under the "Public" heading in 2017;
 - for 2016, according to the declaration of 12 January 2017;
 - for 2015, according to the declaration of 27 January 2016.
- (4) 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.
- (5) Including the Arnault family group, refer to the threshold-crossing declaration of 11 July 2017 on page 298.
- (6) This line was established:
 - at 31 December 2017: Mr Nicolas Puech did not indicate the number of shares he held. However, on 10 February 2018, he did declare that he had not crossed any shareholding thresholds. This statement implies that, as at 31 December 2017, Mr Nicolas Puech held or was entitled to hold between 5% and 10% of the share capital. Not having specific information on the size of Mr Nicolas Puech's shareholding, its participation is integrated under the "Public" heading in 2017;
 - at 31 December 2016: Mr Nicolas Puech did not indicate the number of shares he held. However, on 8 February 2017, he did declare that he had not crossed any shareholding thresholds. This statement implies that, as at 31 December 2016, Mr Nicolas Puech held or was entitled to hold between 5% and 10% of the share capital. Not having specific information on the size of Mr Nicolas Puech's shareholding, its participation is integrated under the "Public" heading in 2016;
 - at 31 December 2015: according to Mr Nicolas Puech's signed declaration of 8 February 2016, it being specified that 900,000 shares are held in the name of the Fondation Nicolas Puech.

7.2.2.7 Employee ownership of share capital

No shares are owned by employees of the Company or any affiliated entities via the Company savings plan or dedicated employee investment.

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 and 2012.

Resolution 12, voted at the General Meeting of 31 May 2016, approved the establishment of a free share plan for all Group employees, subject to the mechanisms applicable to free share plans, notably concerning the reference and holding periods. On 30 December 2017, employee shareholding, based on plans already paid, involved more than half of the Group's workforce, which held 833,624 Hermès shares, representing 0.8% of the Group's share capital. Taking into account this new 2016 plan, employee shareholding could exceed 1.5% when the shares are granted in 2020.

7.2.2.8 Crossing of thresholds

Crossings of thresholds occurring after the closure of the 2017 financial year

No crossing of a legal threshold was declared between the closure of the 2017 financial year, and 28 February 2018.

Crossing of thresholds in FY 2017

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	-
Famille Arnault	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.

Crossing of thresholds during the past two financial years

Crossing of thresholds in FY 2016

No crossing of a legal threshold was declared in 2016.

Crossing of thresholds in FY 2015

In 2015, the following crossing of a legal threshold was declared:

- ◆ *AMF notice no. 215C0070 dated 13 January 2015 (the full text of which is available on the AMF website - www.amf-france.org). On 6 January 2015, the Arnault family group declared that it crossed below the threshold of 10% of the capital of Hermès International and held, directly and indirectly, through the intermediary of companies that it controls, 10,444,636 shares in Hermès International representing as many voting rights, namely 9.89% of the capital and 6.88% of the voting rights, distributed as follows:*

	Shares	% share capital	Voting rights	% voting rights
Semyrhamis	8,771,914	8.31	8,771,914	5.78
LVMH	1,197,451	1.13	1,197,451	0.79
Christian Dior	333,080	0.32	333,080	0.22
Famille Arnault	142,191	0.13	142,191	0.09
TOTAL ARNAULT FAMILY GROUP	10,444,636	9.89	10,444,636	6.88

This downward crossing of the threshold results from the exceptional distributions of Hermès International shares for the benefit of the shareholders in the companies LVMH Moët Hennessy – Louis Vuitton (exceptional distribution in kind) and Christian Dior (exceptional distribution in kind and interim dividend in kind), as the distribution transactions were implemented.

It should be noted that, in accordance with the statements in the aforementioned notice to the AMF, the 1,197,451 shares in Hermès International held by LVMH Moët Hennessy – Louis Vuitton and the 330,080 shares in Hermès International held by Christian Dior correspond to a balance of shares pursuant to exceptional transactions for the distribution of shares in kind not yet delivered or intended to be disposed of.

By letter dated 2 April 2015, the Arnault family group declared that it held, as at 31 March 2015, 8,972,665 shares representing 8.5% of the capital and 5.95% of the voting rights. This drop results from the sale by LVMH Moët Hennessy – Louis Vuitton, controlled by the Arnault family group, of fractional amounts of Hermès International shares pursuant to the exceptional distribution in kind that was made on 17 December 2014.

7.2.2.9 Exemption decision

At its meeting of 6 January 2011, the AMF granted an exemption to the requirement to file a proposed public offering to buy out the shares of Hermès International, to 52 natural persons and their family companies that are direct shareholders of Hermès International (see decision no. 211C0024, the entire text of which is available on the AMF's website – www.amf-france.org).

This decision has become definitive.

7.2.2.10 Pledging of shares

Duly registered shares are not encumbered by any material pledges.

7.2.2.11 Share buyback programme

Use in 2017 of authorisations to buy back shares granted by the General Meeting

The Combined General Meetings of 31 June 2017 and 6 May 2016 approved share buyback programmes authorising the Executive Management, on the basis of Articles L. 225-209 et seq. of the French Commercial Code, 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 (cancellation of shares within the limit of 10% of the share capital per 24-month period, covering the commitment to deliver shares, i.e. in connection with issuances of securities granting access to capital or grants of existing stock or stock options, allocation to employees) or to one or more market practices currently or later accepted by the Financial Markets Authority ("AMF") (acquisition practices and the implementation of a liquidity contract with an investment service provider acting independently), and more generally to allot them to carrying out any operation in accordance with the regulations in force.

The Combined General Meetings of 31 May 2016 and 6 June 2017 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 page 163 et seq.

During the financial year ended 31 December 2017, 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 01/01/2017 to 06/06/2017	From 07/06/2017 to 31/12/2017	Total
Excluding the liquidity contract			
Number of shares booked in the name of the Company as at 31 December 2016	1,070,494		1,070,494
Number of shares purchased	20,824	412,418	433,242
Reason for acquisitions	Employee shareholding	Employee shareholding	
Average price of purchases	€418.87	€433.37	€432.67
Number of shares sold	97,040	160	97,200
Average price of sales	€227.68	€141.66	€227.54
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 2017	994,278	412,258	1,406,536
Appropriation			
♦ Employee shareholding	915,905	412,258	1,328,163
♦ External growth	78,373		78,373
Net value evaluated during the purchase	€270,819,496	€178,706,723	€449,526,219
Net value evaluated during closure	€443,696,558	€183,970,133	€627,666,690
Par value	€507,082	€210,252	€717,333
Fraction of the share capital that they represent	0.94%	0.39%	1.33%
In the context of the liquidity contract			
Number of shares booked in the name of the Company as at 31 December 2016	9,166		9,166
Resources implemented (liquidity account)	€5,000,000	€5,000,000	€5,000,000
Number of shares purchased	96,502	135,307	231,809
Average price of purchases	€427.52	€437.81	€433.53
Number of shares sold	94,756	137,053	231,809
Average price of sales	€427.22	€438.53	€433.91
Number of shares booked in the name of the Company as at 31 December 2017	10,912	(1,746)	9,166
Net value evaluated during the purchase	€4,822,513	€(772,179)	€4,050,334
Net value evaluated during closure	€4,869,480	€(779,153)	€4,090,328
Par value	€5,565	€(890)	€4,675
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 5 June 2018

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 Ordinary and Extraordinary General Meeting of 5 June 2018. This programme will supersede that authorised by the Combined General Meeting of 6 June 2017.

Number of shares and percentage of share capital held by Hermès International

Between 1 January and 28 February 2018, the Company purchased 33,077 shares and sold 33,215 shares within the framework of the liquidity contract.

As of 28 February 2018, the share capital of the Company consisted of 105,569,412 shares, of which 1,417,368 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

The shares may be repurchased to be allocated to the objectives permitted by regulation (EU) no. 596/2014 of 16 April 2014 on market abuse (MAR):

- ♦ objectives provided for in Article 5 of 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;
- ♦ 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 2017: 10,556,941.
- ◆ The maximum purchase price (excluding costs) would be set at €650 per share.
- ◆ The maximum amount of funds to be committed would be set at €1,500 million. 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 18 months from the date of the Combined General Meeting of 5 June 2018, i.e. until 5 December 2019.

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 ¹	Amount of the transaction
2017DD470842	27 March 2017	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	€436.52	€4,365,180
2017DD470924	28 March 2017	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	€434.55	€11,095,748.63
2017DD470928	29 March 2017	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	€436.39	€7,628,533.59
2017DD471385	30 March 2017	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	€438.45	€5,481,952.85
2017DD471384	31 March 2017	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	€438.97	€3,339,237.18
2017DD471381	3 April 2017	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	€444.60	€8,687,386.30
2017DD475421	28 April 2017	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	€439.51	€6,449,355.07
2017DD475423	2 May 2017	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	€440.05	€1,161,302.51
2017DD476296	5 May 2017	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	€453.80	€1,361,400
2017DD476173	5 May 2017	Laurent Momméja, member of the Executive Management Board of Émile Hermès SARL Active Partner and Executive Chairman of Hermès International	Disposals	Shares	€453.80	€1,361,400
2017DD476297	8 May 2017	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	€441.72	€2,264,246.468

Declaration no.	Date of the transaction	Name and function	Nature of the transaction	Securities concerned	Unit price ¹	Amount of the transaction
2017DD476298	10 May 2017	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	€441.87	€687,549.72
2017DD477068	12 May 2017	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	€441.44	€7,309,854.637
2017DD487388	16 May 2017	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	€437.72	€19,259,548
2017DD487386	17 May 2017	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	€435.12	€18,927,546
2017DD487387	18 May 2017	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	€432.59	€13,323,679.6
2017DD487425	19 May 2017	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	€436.37	€8,264,012.936
2017DD488041	22 May 2017	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	€437.71	€7,995,156.062
2017DD488042	23 May 2017	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	€437.41	€14,434,662
2017DD488043	24 May 2017	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	€437.53	€5,201,380.416
2017DD488319	25 May 2017	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	€438.06	€3,930,676.488
2017DD488320	26 May 2017	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	€438.99	€5,250,795.273
2017DD488321	29 May 2017	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	€439.94	€1,186,947.328

Declaration no.	Date of the transaction	Name and function	Nature of the transaction	Securities concerned	Unit price ¹	Amount of the transaction
2017DD488869	30 May 2017	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	€439.07	€2,381,927.625
2017DD488879	31 May 2017	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	€439.94	€9,558,114.714
2017DD488880	1 June 2017	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	€439.50	€10,108.5
2017DD490037	8 June 2017	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	€438.51	€6,466,238.968
2017DD490062	9 June 2017	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	€439.01	€7,463,237.49
2017DD490065	12 June 2017	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	€434.98	€11,744,379
2017DD490067	13 June 2017	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	€434.12	€19,101,104
2017DD490685	14 June 2017	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	€439.09	€5,488,575
2017DD490686	15 June 2017	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	€434.79	€10,947,243.332
2017DD490687	16 June 2017	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	€439.00	€2,427,658.94
2017DD491490	21 June 2017	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	€439.45	€2,114,647.836
2017DD491616	23 June 2017	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	€438.50	€10,515,572.576
2017DD491985	27 June 2017	Laurent Momméja, member of the Executive Management Board of Émile Hermès SARL Active Partner and Executive Chairman of Hermès International	Disposals	Shares	€440.05	€627,070

Declaration no.	Date of the transaction	Name and function	Nature of the transaction	Securities concerned	Unit price ¹	Amount of the transaction
2017DD492190	27 June 2017	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	€439.65	€1,901,468.95
2017DD492239	28 June 2017	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	€439.56	€7,252,723.5
2017DD491986	29 June 2017	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	€435.00	€435,000
2017DD492243	29 June 2017	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	€434.19	€15,656,565.387
2017DD492246	30 June 2017	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	€434.47	€9,298,940.007
2017DD503228	4 July 2017	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	€435.59	€2,463,702.696
2017DD503231	5 July 2017	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	€437.81	€119,083.504
2017DD503232	6 July 2017	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	€436.33	€5,494,728.876
2017DD503332	7 July 2017	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	€437.00	€3,177,427
2017DD503989	10 July 2017	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	€439.95	€442,584.67
2017DD503990	11 July 2017	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	€438.63	€6,140,820
2017DD503993	12 July 2017	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	€439.24	€151,539.18

Declaration no.	Date of the transaction	Name and function	Nature of the transaction	Securities concerned	Unit price ¹	Amount of the transaction
2017DD504845	20 July 2017	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	€439.61	€3,275,966.268
2017DD504846	21 July 2017	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	€437.91	€2,804,813.55
2017DD511332	21 September 2017	Renaud Momméja, member of the Supervisory Board	Disposals	Shares	€419.80	€79,762
2017DD511334	21 September 2017	Altizo, legal entity related to Renaud Momméja, member of the Supervisory Board	Purchase	Shares	€419.80	€79,762
2017DD518148	10 November 2017	Laurent Momméja, member of the Executive Management Board of Émile Hermès SARL Active Partner and Executive Chairman of Hermès International	Succession, transfer to individual account	Shares	€401.65	€25,447,740.7
2017DD518145	10 November 2017	Renaud Momméja, member of the Supervisory Board	Succession, transfer to individual account	Shares	€401.65	€25,447,740.7
2017DD530440	7 December 2017	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	€440.82	€6,561,575.93
2017DD530443	8 December 2017	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	€440.31	€3,514,970.781
2017DD530444	11 December 2017	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	€440.03	€12,302,442.614
2017DD530822	12 December 2017	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	€440.50	€5,432,196.672
2017DD530825	13 December 2017	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	€442.13	€4,970,414.218
2017DD530827	14 December 2017	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	€442.29	€33,248,266.17
2017DD531238	15 December 2017	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	€441.24	€15,836,211.27
2017DD531240	18 December 2017	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	€444.71	€1,945,161.54

Declaration no.	Date of the transaction	Name and function	Nature of the transaction	Securities concerned	Unit price ¹	Amount of the transaction
2017DD531241	19 December 2017	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	€445.58	€4,614,903.131
2017DD531669	20 December 2017	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	€445.45	€4,760,089.386
2017DD531702	21 December 2017	Altizo, legal entity related to Renaud Momméja, member of the Supervisory Board	Purchase	Shares	€353.60	€6,011.2
2017DD531703	21 December 2017	Renaud Momméja, member of the Supervisory Board	Disposals	Shares	€353.60	€4,243.2
2017DD531704	21 December 2017	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	€353.60	€4,243.2
2017DD531705	21 December 2017	Laurent Momméja, member of the Executive Management Board of Émile Hermès SARL Active Partner and Executive Chairman of Hermès International	Disposals	Shares	€353.60	€2,475.2
2017DD531698	21 December 2017	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	€445.31	€2,241,260.329
2017DD531699	22 December 2017	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	€447.17	€4,810,218.447
2017DD531897	27 December 2017	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	€447.72	€1,995,913.47
2017DD531898	28 December 2017	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	€448.26	€4,020,479.816
2017DD531899	29 December 2017	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	€447.17	€3,513,822.57

(1) Amount rounded to two decimal places.

No other Corporate Officer (Executive Chairman or Supervisory Board member) of Hermès International reported any trades in Company shares in 2017.

No other Senior Executive (Executive Committee member) of Hermès International reported any trades in Company shares in 2017.

Neither did the Company receive any other reports of such trades from any of their immediate family members.

7.2.4 CODE OF MARKET ETHICS

European regulation (EU) no. 596/2014 of 16 April 2014 on market abuse (commonly known as MAR) entered into force on 3 July 2016. It was completed by the AMF's Position-Recommendation no. 2016-08 of 26 October 2016 (guide to permanent information and management of inside information) and two AMF instructions, namely no. 2016-06 on transactions by Senior Executives and similar and no. 2016-07 on notification procedures within the framework of deferred publication of inside information.

The new regulations have ushered in new rules and measures applying to insiders, to listed 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 Code of Market Ethics (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/CorporateGovernance> page, under "Management Bodies/The Supervisory Board".

The Code was updated on 25 July 2017 and 1 January 2018 as follows:

- ◆ inclusion of precautionary measures concerning broadcast/comments on social networks and media in connection with the Hermès Group;
- ◆ update to the applicable regulations (CNIL Decision 2017-200 dated 6 July 2017, ESMA interpretations);
- ◆ editorial details.

It 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 People"). 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 People 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:

- ◆ Permanent Insiders from the time when quarterly revenue figures and annual and interim earnings figures are reported internally (the reporting of accounting items allowing numbers to be identified sufficiently clearly before they are made public);
- ◆ for Permanent Insiders and Sensitive People 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 ten trading days before and three trading days after the annual or interim financial statements are made public,
 - a period of ten trading days before and three trading days after the quarterly information is made public,
 - exceptionally, a period beginning when the Group issues a specific alert about a transaction prohibiting trading until a date ten trading days after 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 (Axel Dumas), the Executive Vice-President Finance (Eric du Halgouët) and the Group Financial Operations and Investor Relations Director (Carole Dupont-Pietri).

Appointment of a Compliance Officer

Hermès International has appointed Nathalie Besombes (Director of Company and Stock Market Law, 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 People 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 People, 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.

Setting up software for managing lists

Over the course of 2018, the software application "Insider Room" developed by Oodrive has been used by Compliance Officer, in order to create, update and monitor lists of Occasional Insiders, Permanent Insiders and Sensitive People.

This software enables to:

- ◆ create sections for each element of inside information;
- ◆ maintain a directory of Insiders and Sensitive People;
- ◆ manage Permanent Insiders who have, due to their functions, regular or permanent access to privileged information;
- ◆ provide insiders with an area where they can access the list of sections to which they belong and accept their binding texts;
- ◆ collect the online acceptance, by Insiders and Sensitive People, of their binding texts;
- ◆ monitor the acceptance of the binding texts and send reminders concerning those which are pending;
- ◆ timestamp and keep track of all actions carried out;
- ◆ export lists of Insiders at any particular time to the AMF upon request.

Applicable legal rules and internal preventive measures, and the penalties

The Code of Market Ethics recommends compliance with rules of prudence and confidentiality, and sets out the requirement to refrain from share trading and the applicable reporting obligations, both to the AMF and internally.

It sets out the penalties in the event of criminal or administrative proceedings.

7.2.5 SHAREHOLDER 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 organisation of the Hermès family group has not been significantly modified since the incorporation of the company H51 SAS;
- ◆ the priority acquisition right that H51 SAS benefits from covers most of the Hermès International shares also held by the members of the Hermès family group (i.e. at 31 December 2017, 12.5% of the capital held by H2 SAS and other members of the Hermès family group, see page 296);
- ◆ 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.

7.2.5.2 Dutreil agreements

The shareholder agreements below, coming under the Dutreil law and still in force in 2017, were brought to the Company's attention:

Dutreil wealth tax agreement 2011.4

Regime	Article 885 I bis of the French General Tax Code (Code général des impôts, CGI)
Date of signature	28 December 2011
Duration of the collective commitment	Six years from the date of registration (in this case, 28 December 2011)
Contractual duration of the agreement	
Procedures for renewal	Renewal by amendment
Percentage of the share capital covered by the agreement on the date of its signature	61.81%
Percentage of voting rights covered by the agreement on the date of its signature	68.38%
Names of the signatories having the capacity of Directors (within the meaning of Article L. 621-18-2-a)	On the date of signature of the agreement: <ul style="list-style-type: none"> ♦ Émile Hermès SARL, Executive Chairman and Active Partner ♦ Éric de Seynes, Chairman of the Supervisory Board ♦ Patrick Thomas, 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 (Code monétaire et financier)	All signatories
Names of signatories holding at least 5% of the capital and/or voting rights in the Company as at 31 December 2017	H51 SAS H2 SAS

	Dutreil Transmission agreement 2015.1	Dutreil Transmission agreement 2015.2	Dutreil Transmission agreement 2015.3	Dutreil wealth tax agreement 2015.1
Regime	Article 787 B of the French General Tax Code (Code général des impôts, CGI)	Article 787 B of the French General Tax Code (Code général des impôts, CGI)	Article 787 B of the French General Tax Code (Code général des impôts, CGI)	Article 885 I bis of the French General Tax Code (Code général des impôts, CGI)
Date of signature	25 March 2015	4 December 2015	21 December 2015	30 December 2015
Duration of the collective commitment	Two years from the date of registration (in this case, 30 March 2015)	Two years from the date of registration (in this case, 4 December 2015)	Two years from the date of registration (in this case, 31 December 2015)	Two years from the date of registration (in this case, 31 December 2015)
Contractual duration of the agreement	By express notification to the tax administration before 20 December 2016	Non-renewable	Non-renewable	By express notification to the tax administration before 20 December 2017
Procedures for renewal				
Percentage of the share capital covered by the agreement on the date of its signature	59.35%	53.20%	52.61%	52.59%
Percentage of voting rights covered by the agreement on the date of its signature	66.06%	58.29%	62.74%	62.68%
Names of the signatories having the capacity of Directors (within the meaning of Article L. 621-18-2-a)	On the date of signature of the agreement: ♦ Émile Hermès SARL, Executive Chairman and Active Partner ♦ Axel Dumas, Executive Chairman	On the date of signature of the agreement: ♦ Émile Hermès SARL, Executive Chairman and Active Partner ♦ Axel Dumas, Executive Chairman	On the date of signature of the agreement: ♦ Émile Hermès SARL, Executive Chairman and Active Partner ♦ Axel Dumas, Executive Chairman	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 (Code monétaire et financier))	All signatories	All signatories	All signatories	All signatories
Names of signatories holding at least 5% of the capital and/or voting rights in the Company as at 31 December 2017	H51 SAS H2 SAS	H51 SAS	H51 SAS	H51 SAS

Dutrel Transmission agreement 2016.1

Regime	Article 787 B of the French General Tax Code (Code général des impôts, CGI)
Date of signature	2 November 2016
Duration of the collective commitment	Two years from 21 November 2016
Contractual duration of the agreement	
Procedures for renewal	Non-renewable
Percentage of the share capital covered by the agreement on the date of its signature	52.91%
Percentage of voting rights covered by the agreement on the date of its signature	62.56%
Names of the signatories having the capacity of Directors (within the meaning of Article L. 621-18-2-a)	On the date of signature of the agreement: <ul style="list-style-type: none"> ◆ 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 (Code monétaire et financier)	All signatories
Names of signatories holding at least 5% of the capital and/or voting rights in the Company as at 31 December 2017	H51 SAS

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 274.

For the record, to distribute part of the large amount of cash available (more than a billion euros), an "exceptional" dividend of €5.00 was paid in 2012 and in 2015, as well as an "ordinary" dividend.

It will be proposed to the General Meeting of 5 June 2018 to pay an exceptional dividend of 5.00 per share, for the same reasons.

In view of the level of cash reached at the end of 2017, the Executive Management decided, for the seventh time, 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 UPDATE

7.4.1 SUMMARY OF STOCK-MARKET INFORMATION

(Source bloomberg)

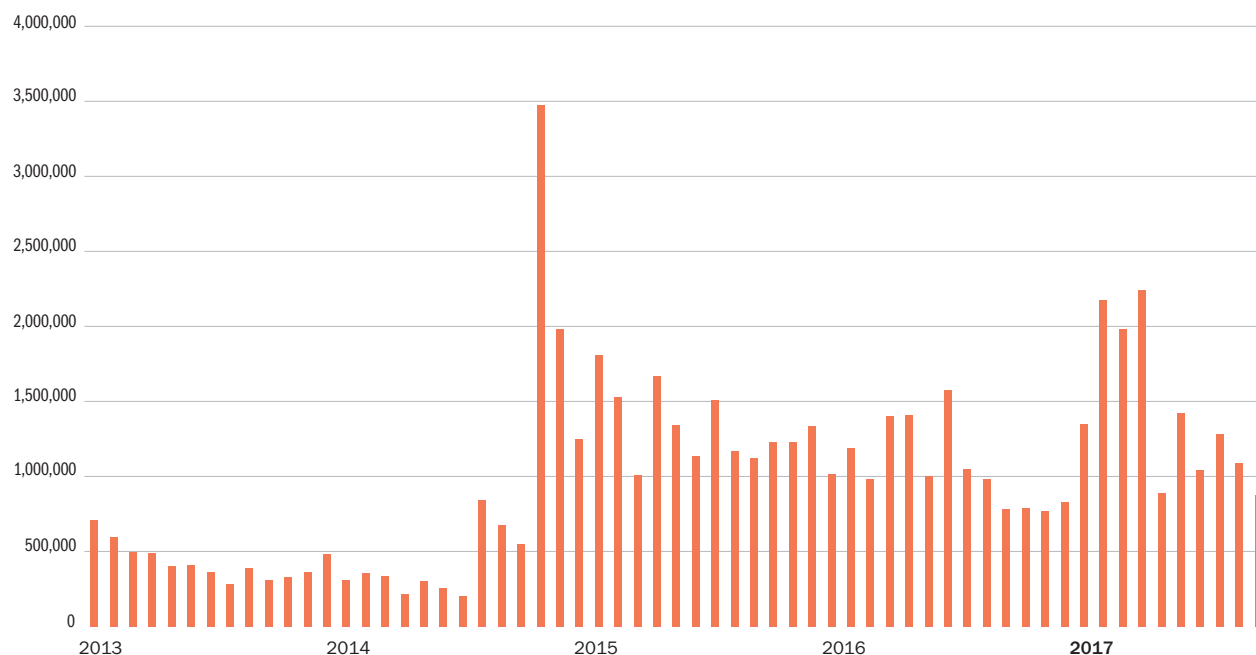
	2017	2016	2015
Number of shares as at 31 December	105,569,412	105,569,412	105,569,412
Average number of shares (excluding treasury shares)	104,435,755	104,518,900	104,395,884
Market capitalisation as at 31 December	€47.11 billion	€41.17 billion	€32.91 billion
Earnings per share (excluding treasury shares)	€11.70	€10.53	€9.32
Dividend per share	€9,10 ¹	€3.75	€3.35
Average daily volume (Euronext)	58,095	54,302	65,475
12-month high share price	€468.30	€399.00	€365.55
12-month low share price	€386.30	€281.20	€273.70
12-month average share price	€433.02	€345.52	€325.14
Share price as at 31 December	€446.25	€390.00	€311.75

(1) Corresponds to an ordinary dividend of €4.10 and an exceptional dividend of €5.00. Subject to approval by the Ordinary General Meeting of 6 June 2017. An interim dividend of €1.50 was paid on 22 February 2017.

7.4.2 HISTORY OF MONTHLY TRANSACTIONS

In number of shares ¹

(Source bloomberg)



(1) Euronext.

7.4.3 HERMÈS SHARE PRICE HISTORY



SHARE PRICE TREND OVER THE PAST FIVE FINANCIAL YEARS

Month	Price in euros			Monthly average of daily transactions on Euronext
	Highest	Lowest	Average closing price	
January	245.15	224.15	235.90	32,326
February	257.00	238.75	250.86	29,817
March	271.90	255.10	259.98	24,659
April	278.45	247.80	259.42	23,370
May	283.20	255.40	271.66	18,238
June	273.90	235.50	254.75	20,517
July	265.00	245.20	254.32	15,831
August	264.80	243.00	257.57	12,973
September	274.50	253.15	263.17	18,623
October	268.70	246.70	257.74	13,554
November	257.90	246.10	251.64	15,648
December	265.40	244.50	251.64	18,276

2014

Month	Price in euros			Monthly average of daily transactions on Euronext
	Highest	Lowest	Average closing price	
January	265.35	261.50	245.655	21,872
February	243.00	240.65	238.178	15,387
March	243.50	241.50	235.569	16,869
April	257.90	254.50	249.248	16,737
May	260.45	258.25	256.343	10,276
June	269.50	263.95	259.110	14,543
July	272.00	269.50	265.652	11,130
August	264.85	263.05	260.038	9,683
September	263.00	260.55	245.264	38,269
October	247.30	244.95	236.265	29,487
November	269.50	265.55	257.408	27,387
December	317.40	298.45	288.883	165,440

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

7.5 SHAREHOLDER 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

Services aux Émetteurs

LES GRANDS MOULINS DE PANTIN

9, rue du Débarcadère 93761 Pantin Cedex

Tel.: +33 (0)8 26 10 91 19

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 AMF General Regulation are available on the Company's financial information site (<http://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 governance bodies and the registration documents and financial media statements available in French and English for the last five financial years.

7.5.5 2018 FINANCIAL AGENDA

Publication of Q4 2017 consolidated revenue	08/02/2018
Publication of the 2017 annual consolidated results	21/03/2018
Publication of Q1 2018 consolidated revenue	03/05/2018
Shareholders' Combined General Meeting	05/06/2018
Publication of Q2 2018 consolidated revenue	July 2018 ¹
Publication of H1 2018 consolidated results	September 2018 ¹
Publication of Q3 2018 consolidated revenue	November 2018 ¹

(1) The dates of the publication of financial information (Revenue, annual and interim results) and of the General Meeting are available on the web at <http://finance.hermes.com>, under "Shareholder's 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 annual report. They may place orders to buy or sell shares with BNP Paribas Securities Services after signing a service agreement.

Fully registered shares are handled directly by BNP Paribas Securities Services. You 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 another financial institution that may apply custody fees. Shareholders who opt for this form of administration are not known to the Company and must make themselves known if they wish to obtain documents and attend General Meetings.

7.5.6 CROSSING OF THRESHOLDS AND NOMINATIVE REGISTRATION REQUIREMENTS

	Crossing of thresholds disclosures		Direct registration obligation (Articles 11, 11, and 11 of the Articles of Association)
	Statutory thresholds (Articles L. 233-7 et seq. of the French Commercial Code (Code de commerce) and Articles L. 433-3 et seq. of the French Monetary and Financial Code (Code monétaire et financier))	Statutory thresholds (Articles 11, 11, and 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 downwards 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.	0.5% (or any multiple of this percentage)	From 0.5%
	<p>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).</p> <p>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 (Code de commerce).</p> <p>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.</p>		
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 ten stock market trading days from the date on which the threshold is crossed, shall constitute a declaration of crossing the threshold in question.
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 exceeding the threshold giving rise to or having given rise to the declaration are deprived of 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.	The shares exceeding the threshold giving rise to or having given rise to the declaration are deprived of voting rights.

(1) Based on the total number of theoretical voting rights.



COMBINED GENERAL MEETING OF 5 JUNE 2018

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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 2017 and on the Company's activity for the financial year.
- ◆ On the management of the Group and the consolidated financial statements for the year ended 31 December 2017.
- ◆ On the resolutions relating to ordinary business.

Supervisory Board's report on corporate governance

Supervisory Board's report to the Combined General Meeting of 5 June 2018

Statutory Auditors' reports

- ◆ On the annual financial statements.
- ◆ On the consolidated financial statements.
- ◆ On the related-party agreements and commitments.

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 and of an exceptional dividend.

Fifth resolution

Approval of related-party agreements and commitments.

Sixth resolution

Authorisation granted to Executive Management to trade in the Company's shares.

Seventh resolution

Notice regarding elements of compensation due or awarded for the financial year ended 31 December 2017 to Mr Axel Dumas, Executive Chairman.

Eighth resolution

Notice regarding elements of compensation due or awarded for the financial year ended 31 December 2017 to Émile Hermès SARL, Executive Chairman.

Ninth resolution

Re-election of Mr Mattieu Dumas as Supervisory Board member for a term of three years.

Tenth resolution

Re-election of Mr Blaise Guerrand as Supervisory Board member for a term of three years.

Eleventh resolution

Re-election of Mrs Olympia Guerrand as Supervisory Board member for a term of three years.

Twelfth resolution

Re-election of Mr Robert Peugeot as Supervisory Board member for a term of one year.

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' report

- ◆ On the capital decrease by cancellation of treasury shares (thirteenth resolution).

8.1.2.2 Vote on the resolutions relating to extraordinary business

Thirteenth resolution

Authorisation granted to Executive Management for the effect of reducing 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.

Fourteenth resolution

Delegation of authority to carry out the formalities related to the General Meeting.

8.2 PURPOSE AND DRAFT RESOLUTIONS

Resolutions submitted to the Combined General Meeting of 5 June 2018 for approval.

8.2.1 ORDINARY BUSINESS

FIRST, SECOND AND THIRD RESOLUTIONS: APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS (PARENT COMPANY AND CONSOLIDATED) – EXECUTIVE MANAGEMENT DISCHARGE

Purpose

For the first, second and third resolutions, we ask you to approve:

- ◆ the parent company financial statements for financial year 2017, which show net profits of €778,260,902.57, and the expenses and charges mentioned in Article 39-4 of the French General Tax Code (*Code général des impôts*);
- ◆ the consolidated financial statements for financial year 2017;
- ◆ discharge of Executive Management of its management for said financial year.

You will find:

- ◆ the consolidated financial statements pages 191 et seq.;
- ◆ the parent company financial statements pages 247 et seq.;
- ◆ the Statutory Auditors' reports on the parent company financial statements and consolidated financial statements on pages 241 and 275.

First resolution:

Approval of the parent company financial statements

The General Meeting, acting with the quorum and majority requirements for Ordinary General Meetings, having considered the report of the Executive Management regarding 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 2017, approved as they were presented the parent company financial statements for said financial year, including the statement of financial position, statement of profit or loss, and notes, which show a net profit of €778,260,902.57, 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 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 2017 to €220,385, which generated an estimated tax expense of €73,388.

Second resolution:

Approval of the consolidated financial statements

The General Meeting, acting with the quorum and majority requirements for Ordinary General Meetings, having considered the report of the Executive Management regarding the activity and situation of the Group, the report by the Supervisory Board and the Statutory Auditors' report for the financial year ended 31 December 2017, approved as they were presented the consolidated financial statements for said financial year, including the statement of financial position, statement of profit or loss, and notes, which show a consolidated net profit of €1,225.8 million, as well as the transactions reflected in these accounts or described in these reports.

Third resolution:

Executive Management Discharge

The General Meeting, acting with the quorum and majority requirements for Ordinary General Meetings, gives discharge to the Executive Management for its management for the financial year beginning 1 January 2017 and ended 31 December 2017.

FOURTH RESOLUTION: ALLOCATION OF NET INCOME – DISTRIBUTION OF AN ORDINARY DIVIDEND

Purpose

In the fourth resolution, we submit for approval the appropriation of net income for the year, in the amount of €778,260,902.57. Of this amount, €239,560 is to be appropriated to the reserve for purchasing original works of art and €5,214,348.05 is to be distributed to the Active Partner, as stipulated in the Articles of Association.

We invite you to allocate additional reserves of €200,000,000. The Supervisory Board recommends that the ordinary dividend be fixed at €4.10 per share. This represents an increase of 9.3% in the ordinary dividend compared with the previous year.

Moreover you are asked to decide on an exceptional dividend of €5.00 per share, to distribute part of the large amount of cash available (more than €3 billion).

For the shareholder beneficiaries who are natural persons fiscally domiciled in France, this entire dividend will be subject to a single standard tax withholding at the overall rate of 30%.

This latter will consist in the application of tax on the income subject to an interim payment (partial standard withholding) withheld at source at a single rate of 12.8% of the gross amount of revenue to which will be added social security withholding of 17.2%.

This standard taxation at the single rate of 12.8% will be automatically applicable except for an overall option for the progressive scale, allowing to benefit from the 40% tax allowance.

Pursuant to Article 119 *bis* of the French General Tax Code (*Code général des impôts*), the dividend distributed to a shareholder who was not a fiscal resident in France is subject to withholding at source at the rate specified in Article 187 of the French General Tax Code (*Code général des impôts*), possibly reducing application of the tax agreement concluded between France and the government of the beneficiary's fiscal residence.

An interim dividend payment of €1.50 per share having been paid on 22 February 2018, the balance of the ordinary dividend, €2.60 per share, to which will be added the exceptional dividend of €5.00, for a total of €7.60 per share to pay, would be detached from the share on 7 June 2018 and payable in cash on 11 June 2018 on based on closing the positions approved on 8 June 2018 at the end of the day. 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	Exercice		
	2016	2015	2014
Ordinary dividend	3.75	3.35	2.95
Extraordinary dividend	-	-	5.00
Amount eligible for the reduction provided by Article 158-3 of the French General Tax Code (<i>Code général des impôts</i>)	1.50	1.34	3.18

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 274.

Fourth resolution:**Allocation of net income – Distribution of an ordinary dividend and an exceptional dividend**

The General Meeting, acting under the quorum and majority requirements applicable to Ordinary General Meetings, noting that the profit for the year amounted to €778,260,902.57 and that the earlier retained earnings again amount to €1,546,724,085.90, and after noting that the legal reserve is provided in full, approves the allocation of these amounts, representing a distributable profit in the amount of €2,324,984,988.47, as proposed by the Supervisory Board, namely:

- ♦ to the reserve for purchasing original works of art, in the amount of €239,560;
- ♦ to the Active Partner, pursuant to Article 26 of the Company's Articles of Association, in the amount of €5,214,348.05;
- ♦ to shareholders, as an "ordinary" dividend of €4.10 per share, in the amount of €432,834,589.20¹;
- ♦ to shareholders, as an "extraordinary" dividend of €5.00 per share, i.e.: €527,847,060.00¹;

1. The total amount of the distribution referred to above is calculated on the basis of the number of shares outstanding as of 31 December 2017, being 105,569,412 shares, and may vary if the number of shares granting rights to a dividend changes between 1 January 2018 and the ex-dividend date, depending in particular on the 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*) and the final allocations of bonus shares, eligible for the dividend.

- ◆ to other reserves in the amount of €200,000,000;
- ◆ to the “Retained earnings” item the balance, in the amount of €1,158,849,431.22;
- ◆ **all together** totalling €2,324,984,988.47.

The Ordinary General Meeting resolves that the remainder of the ordinary dividend for the year (which amounts to €1.50 per share after payment on 22 February 2018), that is €2.60 per share, to which will be added the exceptional dividend of €5.00 per share, that is a total amount of €7.60 per share, will be detached from the share on 7 June 2018 and payable in cash on 11 June 2018 based on closing positions on 8 June 2018 at the end of the day.

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 standard tax withholding at the overall rate of 30%.

In accordance with the provisions of Article 47 of law no. 65.566 of 12 July 1965, the General Meeting duly notes that dividends distributed to the shareholders in respect of the three previous financial years were as follows:

In euros	Financial year		
	2016	2015	2014
Ordinary dividend	3.75	3.35	2.95
Extraordinary dividend	-	-	5.00
Amount eligible for the reduction provided by Article 158-3 of the French General Tax Code (<i>Code général des impôts</i>)	1.50	1.34	3.18

This latter will consist in the application of income tax subject to partial payment (called partial standard withholding tax) withheld at source at the flat rate of 12.8% of gross revenue to which will be added the social security withholding of 17.2%.

This standard taxation at the single rate of 12.8% will be automatically applicable except for an overall option for the progressive scale, allowing to benefit from the 40% tax allowance.

Pursuant to Article 119 *bis* of the French General Tax Code (*Code général des impôts*), the dividend distributed to a shareholder who is not a fiscal resident in France is subject to withholding at source at the rate specified in Article 187 of the General Tax Code (*Code général des impôts*), possibly reduced in application of the tax agreement concluded between France and the government of the beneficiary’s fiscal residence.

FIFTH RESOLUTION: APPROVAL OF RELATED-PARTY AGREEMENTS AND COMMITMENTS

Purpose

By the Fifth resolution, we ask you to approve the new agreements and commitments referred to in Articles L. 226-10, L. 225-38 to L. 225-43 of the French Commercial Code (*Code de commerce*), that alone are submitted to the vote of the meeting:

Agreements and commitments authorised during the year ended – motivations**1) Riders for the renewal of brand-name licensing contracts maturing at 31 December 2016, whose objective is the following:**

- to transform these agreements into agreements of unlimited duration with the possibility for each party to terminate them at any time on condition of a written advance notice of at least one year; and
- to update the list of brand names under that license to include the new brand names that have been registered since the last ones.

The brand name licensing contracts between Hermès International and the interested persons bearing the brand names “HERMES” as well as all other brand names used by these companies expired on 31 December 2016: it was necessary to renew them, and the amendment of these licenses into agreements with unlimited duration did not have financial impacts.

2) Agreement between Hermès International and the company MOCE (brand “EatMe”) for the provision of fast food restaurant services on the website Hermès International located at 12 rue d’Anjou (75008)

As part of a public tender process, Hermès put several fast food service providers into competition. MOCE was selected in view of its commercial offering. This latter did not present any fixed expenses and specified planning the space in harmony with the building.

3) The signing of a new framework agreement with the architectural firm RDAI to define the scope of the RDAI mission for the exclusive application of the architectural Concept in the Hermès projects

The objective of the Concept created by RDAI is to allow a qualitative and easy identification of the stores and sales points distributing Hermès products throughout the world.

This new agreement aims to integrate the changes in the organisation of Hermès (DDI, purchasing policy, digital), to specify the obligations and roles of the parties and adjust the conditions of execution to the realities of the Hermès projects.

Analysis of the renegotiated agreement allows to conclude that the changes made are, essentially, for Hermès International, both concerning the obligations of RDAI as well as its remuneration.

Agreements and commitments authorised in prior years

The agreements and commitments established and authorised during previous financial years whose performance continued during the last financial year are described in the Statutory Auditors’ special report on the agreements and commitments referred to in Articles L. 226-10, L. 225-38 and L. 225-43 of the French Commercial Code (*Code de commerce*). Because they were already approved by the General Meeting, they are not being resubmitted to you for a vote.

This report is shown on pages 341 to 344.

Fifth resolution:**Approval of related-party agreements and commitments**

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 and commitments pertaining to the combined provisions of Articles L. 226-10, L. 225-38

to L. 225-43 of the French Commercial Code (*Code de commerce*), approves the aforementioned report in all its provisions as well as the agreements, commitments and transactions set out, entered into and performed during financial year 2017.

SIXTH RESOLUTION: AUTHORISATION OF COMPANY BUYBACK OF TREASURY SHARES

Purpose

For 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 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 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 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 shares representing up to 10% of the share capital would be authorised, i.e. for indicative purposes as of 31 December 2017: 10,556,941;
- ♦ the maximum purchase price (excluding costs) would be set at €650 per share;
- ♦ the maximum amount of funds to be committed would be set at €1,500 million. On the day of the General Meeting, treasury shares 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.

Duration of the authorisation

This authorisation would be valid for 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 the 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 in the Company, at any time; this percentage shall apply to share capital adjusted as a function of transactions that will 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 provide liquidity under the conditions defined by the AMF General Regulation, and

- the Company will not at any time own more than 10% of its capital on the date in question;

- 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 order to increase the return on equity and earnings per share, and/or to neutralise the dilutive impact of capital increases for shareholders, wherein such purpose is contingent upon adoption of a special resolution by the Extraordinary General Meeting,
- reusing during the exercise of rights associated with debt securities giving entitlement by conversion, exercise, redemption, exchange, presentation of a warrant or in any other way, for the allocation of Company shares,
- 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 bonus 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 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 shares through an investment service provider acting independently under a liquidity contract in accordance with an ethics charter recognised by the Financial Markets Authority (AMF),
- other objectives:
 - retaining the shares, in order subsequently to transfer the shares in payment, in exchange or as other consideration for a takeover bid 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,
 - reusing during the exercise of rights associated with equity securities giving entitlement by conversion, exercise, redemption, exchange, presentation of a warrant or in any other way, for the allocation of Company shares,
 - and more generally to allocate them to the completion of any transactions in accordance with the applicable regulations.

This programme is also intended to enable the Company to operate toward any other purpose that may be decided, by law or regulations, including any market practice that may 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 under share purchase plans for the company's employees or Corporate Officers, the purchase price per share shall be no higher than six hundred and fifty euros (€650), excluding expenses;
- 4) resolves, however, that the Executive Management may adjust the aforementioned purchase price in the event of a change in the par value per share; a capital increase by capitalisation of reserves; a bonus share distribution; a stock split or reverse split; a write-off or reduction of the share capital; distribution of reserves or other assets; and any other transactions applying to equity, to take into account the effect of such transactions on the value of the shares;

- 5) resolves that the maximum amount of funds that may be committed to this share purchase programme cannot exceed 1 billion five hundred million euros (€1,500 million);
- 6) resolves that 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 while applicable), 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, more generally, transferred by any means, including by block sales and during times of public offerings;
- 7) grants full authority to Executive Management to implement this delegation, and in particular:
 - to decide and carry out the actual transactions enumerated 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-assign 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 authority,
 - to undertake all necessary formalities, and
 - to generally carry out all necessary measures;
- 8) resolves that this authorisation is granted for a period of 18 months as of this meeting.

For the remaining period and not exceeding the unused portion, this authorisation supersedes the authorisation granted by the Combined General Meeting of 31 May 2016 in its twelfth resolution (authorisation of Company buyback of treasury shares).

SEVENTH AND EIGHTH RESOLUTIONS: NOTICE OF COMPENSATION ELEMENTS DUE OR AWARDED TO THE EXECUTIVE CHAIRMEN FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

Purpose

The provisions of law no. 2016-1691 on transparency, anti-corruption and modernisation of the economy, of 9 December 2016 (the “Sapin II law”), including Articles L. 225-37-2 and L. 225-82-2 of the French Commercial Code, concerning the approval at the General Meeting of Shareholders of the principles and criteria for determining, distribution and allocation of fixed, variable and exceptional portions of compensation for Executive Corporate Officers (*ex-ante* vote), and subsequent approval of the amounts of compensation paid or allocated under these principles (*ex-post* vote) to executive and non-Executive Corporate Officers, do not apply to *sociétés en commandite par actions* (partnerships limited by shares) under Article L. 226-1 of the same Code which explicitly rules them out.

However, we will continue to comply with the AFEP-MEDEF corporate governance code (revised in November 2016) by submitting managers' compensation to an *ex-post* vote.

We remind you that the principles for setting the Executive Chairmen's compensation are outlined and capped in Article 17 of the Articles of Association as follows: each Executive Chairman is entitled to statutory compensation and, potentially, additional compensation, the maximum amount of which is set by the Ordinary General Meeting with the unanimous approval of the Active Partners. Within the limits of these ceilings, and taking notably into consideration the Group's performance for the past financial year, the Group's medium- and long-term strategic development challenges and the competitive environment in which it operates, on the recommendation of the CAG, the Active Partner decides each year on the actual compensation of each Executive Chairman:

1. fixed compensation (or additional compensation) was initially set by a decision of the Ordinary General Meeting of 31 May 2001, which limited it to €457,347.05 and specified indexing, upwards only, on the increase in the consolidated revenue for the previous financial year at constant exchange rates and on the same scope of consolidation, by comparison with revenue for the next to last financial year. In accordance with the principle thus determined and to facilitate understanding of the procedures for calculating the additional compensation of Executive Chairmen before indexing, the Company has always called it “fixed compensation”, by analogy with market practices;
2. the method for calculating variable compensation (or statutory compensation) stipulated in Article 17 of the Articles of Association has remained unchanged since it was introduced. It is capped at 0.20% of the Group's consolidated income before tax in the previous financial year. This calculation method naturally results in variability in this component of compensation of Executive Chairmen, and is transparent and does not guarantee a minimum amount. With an objective of clarity, the statutory compensation of Executive Chairmen is known as “variable compensation”, by analogy with market practices.

Changes to the two components of the compensation of Executive Chairmen depend upon objective and comprehensible quantitative criteria that have not changed for many years and that are public and predefined by nature. As per Article 26 of the Articles of Association, the Company pays Émile Hermès SARM, in its capacity as Active Partner, an amount equal to 0.67% of the distributable profit (being in 2017 – under the 2016 financial year – €7,311,168.66). However, this is not an executive compensation.

For the seventh and eighth resolutions, we propose issuing a favourable opinion on the elements of compensation due or awarded to the Executive Chairmen for the 2017 financial year presented in the two tables below. These resolutions, which constitute an *ex-post* vote, are proposed in accordance with Article 26.2 of the AFEP-MEDEF Corporate Governance Code (revised in November 2016).

It did not seem relevant for us to propose to you a vote on the compensation of the Chairman of the Supervisory Board insofar as he:

- ◆ receives fixed compensation of €140,000 as set out in the Supervisory Board's rules of procedure, deducted from the total amount of directors' fees approved by the General Meeting;
- ◆ receives no other compensation of any kind whatsoever.

You have previously been made aware of this information.

Elements of compensation	Amount or value accounted for in euros	Presentation
Seventh resolution: Mr Axel Dumas		In accordance with Article 17 of the Articles of Association, each Executive Chairman is entitled to statutory compensation and, potentially, additional compensation, of which the maximum amount is set by the Ordinary General Meeting, with the unanimous approval of the Active Partners. Changes to the two components of the compensation of Executive Chairmen depend upon objective and comprehensible quantitative criteria that have not changed for several years and that are public and predefined by nature.
Gross annual fixed compensation (or "additional" compensation according to the Articles of Association)	From 1 January to 31 December 2017: €1,354,303 ♦ Of which fixed component: €1,261,019 ♦ Of which the portion indexed on the increase in revenue: €93,284	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 of €457,347.05. This limit is indexed each year, but it can only be adjusted upwards. Since 1 January 2002, this amount has been indexed to growth in the Company's consolidated revenue for the previous financial year at constant exchange rates and on the same scope of consolidation, by comparison with revenue for the next to last financial year (€2,178,417 for 2017). 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. The additional compensation of Mr Axel Dumas paid in 2017 was set by the Executive Management Board on 20 March 2017.
Gross annual variable compensation (or "statutory" compensation according to the Articles of Association)	From 1 January to 31 December 2017: €1,420,353	The gross annual compensation of each Executive Chairman for a given year, as authorised by the Articles of Association, shall not be more than 0.20% of the Company's consolidated income before tax (€3,319,259 for 2017) 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 each Executive Chairman. Thus, no minimum statutory compensation is guaranteed for Executive Chairmen. The statutory compensation for Mr Axel Dumas paid in 2017 was set by the Executive Management Board on 20 March 2017.
Deferred variable compensation	Not applicable	The principle of the allocation of a deferred variable compensation is not provided.
Multi-year variable compensation	Not applicable	No multi-year compensation arrangement was implemented in 2017.
Exceptional compensation	Not applicable	The principle of such compensation is not provided.
Stock options, options on performance shares or any other type of long-term compensation (IFRS valuation at the date of allocation)	Stock options: n/a Performance-based shares: n/a Other items: n/a	No plan for stock options or performance-based shares benefiting the Executive Chairmen has been implemented during the 2017 financial year.
Compensation for assumption of duties	Not applicable	No such commitment exists.
Severance payment	€0	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 Executive Chairman functions (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). The payment of a severance payment is subject to the subsequent 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. Moreover, the payment of such compensation is also subject to the following performance conditions, so 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 and corporate image. The Supervisory Board has considered that the deferred compensation commitment to Mr Axel Dumas meets the requirements of the AFEP-MEDEF Corporate Governance Code.

Elements of compensation	Amount or value accounted for in euros	Presentation
Non-competition payment	Not applicable	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)</i> Mr Axel Dumas is eligible for the supplementary defined-contribution pension plan established for all employees of Hermès' French companies that have joined it (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” – in accordance with Article L. 225-40 of the French Commercial Code (Code de commerce).</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 inclusive, and 5.5% on the reference compensation between 2x and 6x PASS inclusive. Reference compensation means the gross annual compensation in accordance with Article L. 242-1 of the French Social Security Code (Code de la sécurité sociale); ♦ these premiums are shared between the company (90.91%) and the beneficiary (9.09%); ♦ the employer premiums are deductible from the taxable basis of the companies, subject to the Social Security payment at the rate of 20% and excluding the basis of the Social Security premiums within the higher of the two following values: 5% of the PASS or 5% of the compensation applied within the limit of 5 PASS. <p>For information, if Mr Axel Dumas had been able to liquidate his retirement entitlements on 31 December 2017, the estimated maximum gross amount of annual pension under the defined-contribution pension plan would be €3,164.</p> <p><i>Defined-benefit pension plan (Art. 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> 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” – in accordance with Article L. 225-40 of the French Commercial Code (Code de commerce)).</p> <p>This pension plan is not closed. It is financed by the Company through a contract with an outside insurance company, and premiums paid to this company are deductible from the corporate tax base. They are also subject to the employer's contribution to premiums at the rate of 24%. In addition, if applicable, provisions are included in the financial statements.</p> <p>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, and be eligible to draw pension benefits under the basic French social security regime.</p> <p>If all eligibility requirements are met, the annual pension under this plan, in accordance with the rules of the plan, would depend on:</p> <ul style="list-style-type: none"> ♦ the average yearly compensation for the last three years; ♦ a percentage depending on seniority and, in all cases, less than 3%. <p>Finally, the pension thus determined shall in no case exceed the amount of 8x the annual social security ceiling.</p> <p>For information, if Mr Axel Dumas had been able to liquidate his entitlements on 31 December 2017, the estimated maximum gross amount of the annual pension under the defined-benefit pension plans would be €41,853.</p>
Directors' fees	Not applicable	Executive Chairmen do not receive directors' fees, neither from the Company nor from its subsidiaries.
Valuation of benefits of any kind	€125	Mr Axel Dumas is eligible for a representation policy constituting his only benefit in kind. Mr Axel Dumas benefits from the collective and obligatory medical expenses plan, implemented by the Group for the benefit of all staff of entities in France who have adhered to this plan (decision made by the Supervisory Board on 19 March 2014).

Elements of compensation	Amount or value accounted for in euros	Presentation
Death and disability plan		<p>Mr Axel Dumas is eligible for the death and disability plan established by the Group for the benefit of all staff (AGIRC affiliated) of the entities in France 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"> (i) a disability pension at 51% of base compensation in case of Category 1 disability and 85% of base compensation in case of Category 2 or 3 disabilities. The base 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 a disability or permanent impairment and, at the latest, the day of the normal or early liquidation of the old age insurance pension from a compulsory retirement plan, for any reason whatsoever; (ii) a death benefit equal to a maximum of 380% of the reference compensation, capped at 8x PASS, depending on the family situation; (iii) contributions to the insurance funds are distributed between the Company (1.54% for tranche A, and 1.64% for tranches B and C) and the recipient (1.06% for tranche A and 1.16% for tranches B and C); (iv) these contributions are deductible from the tax base of companies, subject to the forfait social (corporate social contribution) at the rate of 8%, and excluded from the base of social security contributions, within the limit of an amount equal to the sum of 6% of PASS and 1.5% of earnings retained in the limit of 12x PASS.

n/a: not applicable.

Elements of compensation	Amount or value accounted for in euros	Presentation
Eighth resolution: Émile Hermès SARL		<p>In accordance with Article 17 of the Articles of Association, each Executive Chairman is entitled to statutory compensation and, potentially, additional compensation, of which the maximum amount is set by the Ordinary General Meeting, with the unanimous approval of the Active Partners.</p> <p>Changes to the two components of the compensation of Executive Chairmen depend upon objective and comprehensible quantitative criteria that have not changed for several years and that are public and predefined by nature.</p>
Gross annual fixed compensation (or "additional" compensation according to the Articles of Association)	From 1 January to 31 December 2017: €500,000	<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 of €457,347.05. This limit is indexed each year, but it can only be adjusted upwards. Since 1 January 2002, this amount has been indexed to growth in the Company's consolidated revenue for the previous financial year at constant exchange rates and on the same scope of consolidation, by comparison with revenue for the next to last financial year (€2,178,417 for 2017). 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.</p> <p>The additional compensation paid to Émile Hermès SARL in 2017 was set by the Executive Management Board on 20 March 2017.</p>
Gross annual variable compensation (or "statutory" compensation according to the Articles of Association)	From 1 January to 31 December 2017: €756,409	<p>The gross annual compensation of each Executive Chairman for a given year, as authorised by the Articles of Association, shall not be more than 0.20% of the Company's consolidated income before tax (€3,319,259 for 2017) 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 each Executive Chairman. Thus, no minimum statutory compensation is guaranteed for Executive Chairmen.</p> <p>Salary compensation paid to Émile Hermès SARL was set by the Executive Management Board on 20 March 2017.</p>
Deferred variable compensation	Not applicable	The principle of the allocation of a deferred variable compensation is not provided.
Multi-year variable compensation	Not applicable	No multi-year compensation arrangement was implemented in 2017.
Exceptional compensation	Not applicable	The principle of such compensation is not provided.

Elements of compensation	Amount or value accounted for in euros	Presentation
Share options, performance-based shares or any other element of long-term compensation (IFRS accounting valuation at the date of allocation)	Stock options: n/a Performance shares: n/a Other elements: n/a	No plan for stock options or performance-based shares benefiting the Executive Chairmen has been implemented during the 2017 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	Not applicable	No such commitment exists.
Severance payment	Not applicable	No such commitment exists.
Non-competition payment	Not applicable	No such commitment exists.
Supplementary pension plan	Not applicable	Émile Hermès SARL, a legal entity, is not eligible for a supplementary pension plan.
Directors' fees	Not applicable	Executive Chairmen do not receive directors' fees, neither from the Company nor from its subsidiaries.
Valuation of benefits of any kind	Not applicable	Émile Hermès SARL does not receive benefits of any kind.

n/a: not applicable.

Seventh resolution:

Notice regarding elements of compensation due or awarded for the financial year ended 31 December 2017 to Mr Axel Dumas, Executive Chairman

The General Meeting, consulted in application of the recommendation of § 26.2 of the AFEP-MEDEF Corporate Governance Code of November 2017, which constitutes the reference code used by the Company pursuant to Article L. 225-37 of the French Commercial Code (*Code de commerce*), having fulfilled the quorum and majority requirements for Ordinary General Meetings, gives a favourable opinion on elements of compensation due or awarded for the financial year ended 31 December 2017 to Mr Axel Dumas under his mandate as Executive Chairman, as presented in the statement of proposed resolutions.

Eighth resolution:

Notice regarding elements of compensation due or awarded for the financial year ended 31 December 2017 to Émile Hermès SARL, Executive Chairman

The General Meeting, consulted in application of the recommendation of § 26.2 of the AFEP-MEDEF Corporate Governance Code of November 2017, which constitutes the reference code used by the Company pursuant to Article L. 225-37 of the French Commercial Code (*Code de commerce*), having fulfilled the quorum and majority requirements for Ordinary General Meetings, gives a favourable opinion on elements of compensation due or awarded for the financial year ended 31 December 2017 to Émile Hermès SARL under its mandate as Executive Chairman, as presented in the statement of proposed resolutions.

NINTH, TENTH, ELEVENTH AND TWELFTH RESOLUTIONS: RE-ELECTION OF SUPERVISORY BOARD MEMBERS

Purpose

The terms of three members of the Supervisory Board (Ms Monique Cohen, Mr Renaud Momméja and Mr Éric de Seynes) expire at the end of this meeting.

Given the upcoming expiry of their mandates, in the ninth, tenth and eleventh resolutions, the Active Partner proposes that you renew, for the statutory period of three years, the mandates of the following members of the Supervisory Board:

- ◆ Mr Matthieu Dumas;
- ◆ Mr Blaise Guerrand;
- ◆ Mrs Olympia Guerrand.

These three mandates will thus expire at the end of the General Meeting called in 2021 to approve the financial statements for the financial year ended 31 December 2020.

In the twelfth resolution, the Active Partner proposes that you re-elect, for the statutory period of one year, the following member of the Supervisory Board:

- ◆ Mr Robert Peugeot.

This mandate will thus expire at the end of the General Meeting called in 2019 to approve the financial statements for the financial year ended 31 December 2018.

On 19 January 2019 Robert Peugeot will reach 12 years as member of the Supervisory Board.

To replace him in soon as possible and in the best conditions by a new member of the Supervisory Board with independent status at the General Meeting of Shareholders in 2019, the Supervisory Board considered that it was preferable that the proportions of independent members on the Board (25%) and on the Audit Committee (40%) should be slightly lower than the requirements of the AFEP-MEDEF Code for a short period of several months rather than eliminating one of the criteria of independence concerning Mr Robert Peugeot.

Information on the persons whose re-election is submitted for your approval is provided on pages 135, 137 and 139.

Ninth resolution:**Re-election of Mr Matthieu Dumas as Supervisory Board member for a term of three years**

On a proposal from 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 term of Mr Matthieu Dumas

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 2021 to approve the financial statements for the financial year ended 31 December 2020.

Mr Matthieu Dumas has indicated that he is prepared to accept the renewal of his term, and that he is not legally prohibited from doing so in any manner whatsoever.

Tenth resolution:**Re-election of Mr Blaise Guerrand as Supervisory Board member for a term of three years**

On a proposal from 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 term of Mr Blaise Guerrand

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 2021 to approve the financial statements for the financial year ended 31 December 2020.

Mr Blaise Guerrand has indicated that he is prepared to accept the renewal of his term, and that he is not legally prohibited from doing so in any manner whatsoever.

Eleventh resolution:

Re-election of Mrs Olympia Guerrand as Supervisory Board member for a term of three years

On a proposal from 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 term of Mrs Olympia Guerrand

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 2021 to approve the financial statements for the financial year ended 31 December 2020.

Mrs Olympia Guerrand has indicated that she is prepared to accept the renewal of her term, and that she is not legally prohibited from doing so in any manner whatsoever.

Twelfth resolution:

Re-election of Mr Robert Peugeot as Supervisory Board member for a term of one year.

On a proposal from 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 term of Mr Robert Peugeot

Following the recommendation of the Supervisory Board, his mandate for a period of one year, will expire at the end of the Annual Ordinary General Meeting called in 2019 to approve the financial statements for the financial year ended 31 December 2018.

Mr Robert Peugeot has indicated that he is prepared to accept the renewal of his term, and that he is not legally prohibited from doing so in any manner whatsoever.

8.2.2 EXTRAORDINARY BUSINESS

THIRTEENTH RESOLUTION: AUTHORISATION TO REDUCE SHARE CAPITAL BY CANCELLATION OF SHARES

Purpose

For the thirteenth resolution, we ask you to renew the authorisation granted to the Executive Management to, on one or more occasions, in the amounts and at the times it so decides, cancel all or part of the shares purchased by the Company under the programme to purchase its own shares. This authorisation would 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.

On page 345, you will find the Statutory Auditors' report on the thirteenth resolution.

Thirteenth resolution:

Authorisation granted to 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, and in accordance with Article L. 225-209 of the French Commercial Code (*Code de commerce*), hereby authorises the Executive Management to reduce the share capital on one or more occasions, in the amounts and at the times it so decides, by cancelling some or all of the shares acquired by the Company in connection with the share buyback programme referred to in the sixth resolution (authorisation of the Company to buy back its treasury 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 to the Executive Management full powers for purposes of 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 the present 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.

For the remaining period and not exceeding the unused portion, it supersedes the authorisation granted by the Combined General Meeting of 6 June 2017 in its seventeenth resolution (authorisation to reduce share capital by cancellation of shares).

FOURTEENTH RESOLUTION: AUTHORITY

Purpose

The fourteenth resolution is a common resolution making it possible to undertake all the legal formalities of filing and disclosure required by law after the General Meeting.

Fourteenth 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 deliberations to carry out all legal publication or other formalities.

8.3 SUPERVISORY BOARD'S REPORT TO THE COMBINED GENERAL MEETING OF 5 JUNE 2018

In accordance with legal and regulatory requirements, we hereby present our report for the year ended 31 December 2017.

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 financial position, statement of profit or loss and notes thereto have been provided to us as required by law;
- ◆ transactions subject to prior approval by the Supervisory Board under the terms of special provisions contained in the Company's Articles of Association have been duly approved by us, as is duly demonstrated hereafter;
- ◆ the Supervisory Board has met on a regular basis to decide on various matters within its exclusive competence, under the terms of the Articles of Association.

1. OBSERVATIONS ABOUT 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 year ended 31 December 2016. We recommend that you approve the financial statements.

2. ALLOCATION OF NET INCOME

On 7 February 2018, the Executive Management decided to pay an interim dividend of €1.50 per share. This interim dividend was paid on 22 February 2018.

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 €4.10 per share and an exceptional dividend of €5.00.

After deduction of the interim dividend, the balance of €7.60 per share will be detached as of 7 June 2018 and paid on 11 June 2018, following the positions adopted on 8 June 2018.

3. RELATED-PARTY AGREEMENTS AND COMMITMENTS

Executive Management has informed us of draft agreements in the year ended 31 December 2017 and falling under the combined provisions of Articles L. 226-10, L. 225-38 to L. 225-43 of the French Commercial Code (*Code de commerce*), and submitted them to us for prior approval. You will find, in the explanatory statement on page 326, a

succinct presentation of the agreements and commitments authorised in the 2017 financial year. The agreements and commitments approved previously by the General Meeting are presented in the Statutory Auditors' special report on the agreements and commitments mentioned in Articles L. 226-10, L. 225-38 to L. 225-43 of the French Commercial Code (*Code de commerce*) that appears on pages 341 to 344.

None of these agreements changed significantly in their amounts or financial terms in 2017.

In 2017, no agreement was downgraded for no longer meeting the criteria to be considered a related-party agreement due to a change in circumstances.

Pursuant to Article L. 225-38 of the French Commercial Code (*Code de commerce*) amended by ordinance 2014-863 of 31 July 2014, the authorisation decisions of the Supervisory Board as of 1 August 2014 are all reasoned decisions. A review of regulated agreements and commitments 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 Shareholders' General Meetings of listed companies that were incorporated in the French Commercial Code (*Code de commerce*) (Article L. 225-40-1) by the above-cited ordinance.

Following the review in 2017, the Board had no comments to make.

4. ACTIVITY OF THE SUPERVISORY BOARD

On pages 147 to 148 of the Corporate Governance report of the Supervisory Board you will find the 2017 activity of the Supervisory Board.

5. COMPOSITION OF THE SUPERVISORY BOARD

We fully support the recommendation made to you in the presentation of purposes on page 334 to:

- ◆ renew, for the statutory period of three years, the mandates that are set to expire for:
 - Mr Matthieu Dumas,
 - Mr Blaise Guerrand,
 - Mrs Olympia Guerrand;
- ◆ renew, for one period of year, the expiring term of:
 - Mr Robert Peugeot.

On page 140 of the corporate governance report of the Supervisory Board you will find a progress report of the mission to change the composition of the Supervisory Board, entrusted since 2011 to the Compensation, Appointments and Governance Committee.

6. RECOMMENDATIONS ON PROPOSED RESOLUTIONS SUBMITTED TO THE COMBINED GENERAL MEETING OF 5 JUNE 2018

We are in favour of all the proposed resolutions submitted to you.

This concludes our report on the information and opinions we considered necessary to bring to your attention in connection with the present General Meeting, and we recommend that you vote to approve 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 appears on page 275.

8.4.2 STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

The report appears on page 241.

8.4.3 STATUTORY AUDITORS' SPECIAL REPORT ON RELATED-PARTY AGREEMENTS AND COMMITMENTS

General Meeting to approve the financial statements

Year ended 31 December 2017

To the General Meeting of Hermès International

We, in our capacity as your Company's Statutory Auditors, are presenting our report to you on related-party agreements and commitments.

Our responsibility is to report to you, based on the information provided to us, on the main terms and conditions, and the grounds for the Company's best interest, of agreements and commitments that have been disclosed to us or that we may have identified as part of our engagement, without commenting on their relevance or substance or identifying any undisclosed agreements and commitments. Under the provisions of Article R. 226-2 of the French Commercial Code (*Code de commerce*), it is your responsibility to determine whether the agreements and commitments are appropriate and should be approved.

Where applicable, it is also our responsibility to provide you with the information required by Article R. 226-2 of the French Commercial Code (*Code de commerce*) in relation to the implementation during the year of agreements and commitments already approved by the General Meeting.

We performed the procedures that we deemed necessary in accordance with professional practice as per the French national auditing body, *Compagnie nationale des commissaires aux comptes*, relating to such engagements. These procedures consisted in verifying that the information given to us is consistent with the underlying documents.

Agreements and commitments to be submitted for the approval of the General Meeting

Agreements and commitments authorised and concluded during the past year

In accordance with article L226-10 of the Commercial Code we were informed of the following agreements and commitments which were concluded during the past financial year, and which received the prior authorisation of your Supervisory Board.

a) Trademark licence agreements

Persons concerned

- ◆ Hermès International, direct or indirect shareholder with an interest of more than 10% in the licensed companies;
- ◆ For Comptoir Nouveau de la Parfumerie: Mr Matthieu Dumas, Supervisory Board member of Hermès International and director of Comptoir Nouveau de la Parfumerie;
- ◆ For Hermès Sellier: For Hermès Sellier: Mr Éric de Seynes and Mr Blaise Guerrand, Supervisory Board members of Hermès International and members of the Management Board of Hermès Sellier;
- ◆ For La Montre Hermès Mr Axel Dumas, Executive Chairman of Hermès International and director of La Montre Hermès.

Nature, purpose and provisions

On 27 January 2017 your Supervisory Board authorised the renewal by amendments, of the Trademark License Agreements and their amendments which expired on 31 December 2016 in order to:

- ◆ transform them into agreements of unlimited duration with the possibility for each party to terminate them at any time on condition of a written advance notice of at least one year; and
- ◆ to update the list of brand names under that license to include the new brand names that have been registered since the last amendment.

There was no financial impact from transforming these licences into unlimited duration agreements.

The trademark license agreements and their amendments resulted in the payment of the following royalties during the 2017 financial year:

Company	Amount of the royalties paid in respect of 2017
Hermès Sellier	€108.251.531
Comptoir Nouveau de la Parfumerie	€13.276.351
La Montre Hermès	€3.456.068

Grounds for the Company's best interest

As the Trademark license agreements concluded by Hermès International with the said persons involving the "HERMES" trademarks and the other trademarks exploited by these companies expired on 31 December 2016 they had to be renewed.

b) Restaurant services agreement with MOCE

Person concerned

Mr Charles-Eric Bauer, the majority shareholder in MOCE and a member of Hermès International's Supervisory board.

Nature, purpose and provisions

On 6 June 2017 your supervisory board authorised the conclusion of a contract between Hermès International and MOCE ("EatMe" trading sign) for the supply of fast food restaurant services on the Hermès International site at 12-12, rue d'Anjou 75008 Paris.

Grounds for the Company's best interest

As part of a public tender process, Hermès International put several fast food service providers into competition. MOCE was selected in view of its commercial offer. This latter did not present any fixed expenses and specified planning the space in harmony with the building.

In 2017, billing for this service came to €60,323.

c) New framework contract with RDAI*Person concerned*

Mrs Sandrine Brekke, owner of more than a 10% interest in RDAI and member of the Executive Management Board of Émile Hermès SARL, Executive Chairman of Hermès International.

Nature, purpose and provisions

Your Supervisory Board meetings dated 7 July 2017 and 13 September 2017 approved a new framework agreement between your company and RDAI defining the outlines of RDAI's assignments concerning the exclusive application of the Architectural Concept for Hermès projects.

This agreement had no effect on your Company in 2017.

Grounds for the Company's best interest

The objective of the Concept created by RDAI is to allow a qualitative and easy identification of the stores and sales points distributing Hermès products throughout the world.

This new agreement aims to integrate the changes in the organisation of Hermès (DDI, purchasing policy, digital), to specify the obligations and roles of the parties and adjust the conditions of execution to the realities of the Hermès projects. The analysis of the renegotiated agreement led to the conclusion that the changes made are, essentially, for Hermès International, both concerning the obligations of RDAI and its remuneration.

Agreements and commitments already approved by the General Meeting

Agreements and commitments approved in previous years which were implemented during the year

In accordance with Article R. 226-2 of the French Commercial Code (Code de commerce), we have been informed that the following agreements and commitments, approved by the General Meeting in previous years, remained in effect during the year.

a) Service agreement with Émile Hermès SARL*Person concerned*

Émile Hermès SARL, Executive Chairman of Hermès International.

Nature, purpose and provisions

At its meetings of 23 March 2005 and 14 September 2005, the Supervisory Board authorised your Company to enter into a service agreement with Émile Hermès SARL for the provision of routine legal and financial services. At its meeting of 1 September 2007, the Supervisory

Board authorised the signature of an amendment to add secretarial services to this agreement. At its meetings of 25 January 2012 and 30 August 2012, the Supervisory Board authorised two amendments to this agreement to alter the price of the secretarial services and to exceptionally provide for share ownership monitoring.

In 2017, billing for services provided under the terms of this agreement amounted to €221,142.

b) Design mission contract with the RDAI firm*Person concerned*

Mrs Sandrine Brekke, owner of more than a 10% interest in RDAI and member of the Executive Management Board of Émile Hermès SARL, Executive Chairman of Hermès International.

Nature, purpose and provisions

At its meetings of 3 July 2015 and 20 November 2015, the Supervisory Board authorised:

- ◆ an agreement between Hermès International and the architectural firm RDAI to undertake an assignment to design the office interior located 10-12 rue d'Anjou in Paris, on several floors and including procurement of furniture;
- ◆ an amendment to that agreement commissioning RDAI to undertake two studies, namely: (i) fitting out an additional level, and (ii) changing the programming and placement of some spaces for the other levels.

This agreement had no effect in 2017.

c) Design mission contract with the RDAI firm*Person concerned*

Mrs Sandrine Brekke, owner of more than a 10% interest in RDAI and member of the Executive Management Board of Émile Hermès SARL, Executive Chairman of Hermès International.

Nature, purpose and provisions

At its meetings of 20 March 2003 and 15 September 2004, the Supervisory Board authorised an agreement and its amendment between your Company and the architectural firm RDAI to undertake an assignment to design Hermès stores.

This agreement was ineffective in 2017 and ended after the conclusion of the new framework agreement previously referred to.

d) Trademark licence agreements*Person concerned*

- ◆ Hermès International, direct or indirect shareholder with an interest of more than 10% in the licensed companies.

Nature, purpose and provisions

The Trademark License Agreements stipulate the following royalty for Faubourg Italia

Company	Duration	Amount of the royalties paid in respect of 2017
Faubourg Italia	10 years, from 18 February 2011	€172,995

e) Deferred compensation commitments to a Corporate Officer

Person concerned

Mr Axel Dumas, Executive Chairman of Hermès International.

Nature, purpose and provisions

On 4 June 2013, your Supervisory Board made the following commitments with regard to the compensation for Mr Axel Dumas:

- ◆ the benefit of the supplemental defined-contribution pension plan established for all of the personnel of the Group's French companies;
- ◆ the benefit of the additional retirement plan set up in 1991 for the benefit of the Company's Senior Executives. 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, and be eligible to draw pension benefits under the basic French social security regime. The annual pension resulting from this scheme, if all the conditions of eligibility are fulfilled, would be calculated based on the average compensation in respect of the last three years, and may not exceed eight times the annual Social Security ceiling;
- ◆ in the event that his appointment as Executive Chairman is terminated, the Company has also agreed to pay Mr Axel Dumas an amount equal to twenty-four months of compensation (sum of statutory compensation and supplemental compensation). This commitment had been made subject to the realisation of the following performance conditions, so 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 and corporate image.

Le versement de cette indemnité sera subordonné au fait que la cessation des fonctions résulte :

- either from a decision of the Executive Chairman by reason of a change of control of the Company, the replacement of the Executive Chairman of Émile Hermès SARL, or a change in the Company's strategy,
- or from a decision taken by the Company.

f) Maintenance, for a Corporate Officer, of collective health and welfare insurance in force in the Company for employees and Corporate Officers

Person concerned

Mr Axel Dumas, Executive Chairman of Hermès International.

Nature, purpose and provisions

On 19 March 2014, your Supervisory Board authorised the continuation, for Mr Axel Dumas, of the collective benefits regarding health expenses and pension in force in the Hermès Group companies.

g) Employment contract of a Supervisory Board member

Person concerned

Mrs Julie Guerrand, Supervisory Board member of Hermès International.

Nature, purpose and provisions

On 3 March 2011 your supervisory board approved the transfer of Mrs Julie Guerrand's Employment contract dated 1 October 2014 to the Hermès Leather Goods division.

h) Non-competition commitment of a former Corporate Officer

Person concerned

Mr Patrick Thomas (former Executive Chairman of Hermès International).

Nature, purpose and provisions

At its meeting on 20 November 2013, your Supervisory Board authorised the signing of a non-competition commitment under the terms set out below:

- i) Mr Patrick Thomas undertook, for a period of ten years, not to carry out, whether personally or on behalf of third parties, any activity that competes with that of Hermès International Group, and in particular not to collaborate, in any capacity whatsoever and in any form whatsoever, with a company in the luxury sector that is active in the following geographical area: Europe and Asia;
- ii) this commitment not to compete took effect from the date of Mr Thomas's departure from the Group;
- iii) this commitment is compensated in the amount of €966,300 per year for four years, on 1 February 2014, 2015, 2016 and 2017.

The amount paid by Hermès International in respect of 2017 was €966,300.

i) Compensation of members of specialised committees

Persons concerned

- ◆ Mrs Monique Cohen;
- ◆ Mrs Dominique Senequier;
- ◆ Mrs Sharon MacBeath;
- ◆ Mr Charles-Éric Bauer;
- ◆ Mr Matthieu Dumas;
- ◆ Mr Renaud Mommeja;

- ◆ Mr Robert Peugeot.

Nature, purpose and provisions

The compensation of the Audit Committee and the Compensation, Appointments and Governance Committee (CAG) members was set as follows, from 2017:

	Annual fixed amount	Maximum annual variable amount ¹	Maximum total
Chairman of the Audit Committee	€28.000		€28.000
Audit Committee members	€5.200	€7.800	€13.000
Chairman of the CAG	€28.000		€28.000
CAG members	€5.200	€7.800	€13.000

(1) Variable part calculated according to the attendance of the members.

For 2017, the total amount owed by Hermès International with regard to their duties was €135,300 for all members of these two specialised committees.

Signed in Neuilly-sur-Seine, on 26 March 2018

The Statutory Auditors

PricewaterhouseCoopers Audit

Olivier Auberty

Cabinet Didier Kling & Associés
Member of Grant Thornton International

Didier Kling

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 appears on page 111.

8.4.5 STATUTORY AUDITORS' REPORT ON THE CAPITAL DCREASE BY CANCELLATION OF SHARES (THIRTEENTH RESOLUTION)

Combined General Meeting of 5 June 2018

To the shareholders,

In our capacity as Statutory Auditors of your Company, and in accordance with the requirements of Article L. 225-209 of the French Commercial Code (Code de commerce) concerning share capital decreases by cancellation of repurchased shares, we hereby report to you on our assessment of the reasons for and the terms and conditions of the proposed share capital decrease.

The Company's Executive Management asks that you delegate to it, for a period of 24 months from the date of this General Meeting, all powers to cancel, on one or more occasions and up to a maximum of 10% of the Company's share capital per period of 24 months, all or part of the shares held or purchased under the authorisation for your Company to buy back its own shares as provided pursuant to the terms of the aforementioned article.

We performed the procedures that we deemed necessary in accordance with professional practice as per the French national auditing body, Compagnie nationale des commissaires aux comptes, relating to such engagements. These procedures involve examining the fairness of the reasons for and the terms and conditions of the proposed share capital decrease, which is not considered to infringe upon the principle of equal treatment of shareholders.

We have no comments on the reasons for or the terms shareholders and conditions of the proposed share capital decrease.

Neuilly-sur-Seine, 26 March 2018

The Statutory Auditors

PricewaterhouseCoopers Audit

Olivier Auberty

Didier Kling & Associés

Member of Grant Thornton International

Didier Kling

Guillaume Giné

9

ADDITIONAL INFORMATION

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9.1 PERSONS RESPONSIBLE FOR THE REGISTRATION DOCUMENT

9.1.1 NAMES AND POSITIONS OF PERSONS RESPONSIBLE FOR INFORMATION CONTAINED IN THE REGISTRATION DOCUMENT

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 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 financial position and results of the Company and all the undertakings included in the consolidation, and that the management report items of which are listed on page 353 (Reconciliation with management report) presents a fair view of the development and performance of the business operations, results and financial position of the Company and all the undertakings included in the consolidation, and that 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 financial position and accounting information provided in this document and that they have read the document in its entirety.

Paris, 12 April 2018

Executive Chairmen

Axel Dumas

Henri-Louis Bauer
Representative of Émile Hermès SARL

9.2 STATUTORY AUDITORS AND THEIR FEES

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.

9.2.1 STATUTORY AUDITORS

PricewaterhouseCoopers

Member, Compagnie Régionale des Commissaires aux Comptes de Versailles.

63, rue de Villiers

92200 Neuilly-sur-Seine

Represented by Olivier Auberty

First appointed: 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, Compagnie Régionale des Commissaires aux Comptes de Versailles.

29, rue du Pont

92200 Neuilly-sur-Seine

Member of the Grant Thornton network represented by: Didier Kling and Guillaume Giné.

First appointed: General Meeting of 31 May 1999

Term of current office: Ordinary General Meeting called to approve the financial statements for 2022

9.2.2 SUBSTITUTE STATUTORY AUDITORS

The appointment of one or more Substitute Statutory Auditors is now required only if the Principal Statutory Auditor appointed is an individual or a single-member company (see the French Commercial Code, Article L. 823-1, paragraph 2 amended by law no. 2016-1691 – the Sapin II law – of 9 December 2016). This provision has been in force since 11 December 2016.

The Combined General Meeting of 6 June 2017 noted that the terms of office of Étienne Boris and Dominique Mahias as Substitute Auditors had expired.

9.2.3 FEES

The obligation to disclose the amount of the fees paid to each of the Statutory Auditors and members of their networks is no longer imposed.

9.3 REGULATORY INFORMATION CONSULTATION

The Hermès financial website is available at <http://finance.hermes.com/en/>. 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 28 of Regulation (EC) no. 809/2004 of 29 April 2004, this registration document incorporates by reference the following information, to which the reader is invited to refer:

- ♦ in respect of the year ended 31 December 2015: 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 14 April 2016 under reference number D16-0338, on pages 169 to 226, 231 to 255, 273 and 274, respectively;
- ♦ in respect of the year ended 31 December 2016: 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 19 April 2017 under reference number D17-0401, on pages 159 to 211 and 213 to 239.

All other information incorporated into this registration document in addition to the information described above has been replaced or updated by the information contained herein. Copies of this registration document are available as described on pages 318 and 350.

9.5 CROSS-REFERENCE TABLE

9.5.1 RECONCILIATION TABLE FOR THE ANNUAL FINANCIAL REPORT

(Article 222-3 of the AMF General Regulation)

Page	Heading
247-274	Hermès International annual financial statements
191-240	Hermès Group consolidated financial statements
	Executive management report (refer to reconciliation table of the executive management report)
348	Responsibility statement for the annual financial report
275-278	Statutory Auditors' report on the annual financial statements
241-244	Statutory Auditors' report on the consolidated financial statements
117-175	Report of the Supervisory Board on the corporate governance

9.5.2 RECONCILIATION TABLE OF THE EXECUTIVE MANAGEMENT REPORT

(Articles L. 225-100 et seq., L. 232-i, ii and R. 225-102)

Page	Heading
	Group situation and activity in 2017 / Comments on the financial year
6-7, 15-30	Company situation and activity during the past financial year
189	Foreseeable developments of the Company and its outlook
7, 208	Important events since the closing date of the financial year and the date the report is established
38	Company research and development activities
188	Existing branches
6-7, 184-185	Analysis of the progression in business activity, earnings and financial position of the company, in particular its debt situation with regard to the volume and complexity of its business
15, 61-99, 314-315	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.
31, 184-185, 187	Activity of the company's subsidiaries and companies under its control
187	Significant equity investments in companies based in France or the takeover of such companies
n/a	Notice given to another joint-stock company that 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
35 - 42	Description of main risks and uncertainties the Company faces
38-39, 218, 220	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
39	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
38-39, 220-226	Information regarding interest rate risk, foreign exchange risk and risk on equities and other financial instruments
42-46	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
	Monitoring plan
36-37, 100-103, 178-179	The monitoring 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
	Information regarding social, environmental and societal commitments
51-54	How the company takes account of the social and environmental consequences of its activity, including the impact of its activity and the use of the goods and services it produces on climate change
51-54, 66-68, 176-177	Commitments made by the company in terms of sustainable development, the circular economy, the fight against food waste and discrimination, and the promotion of diversity
64-68	Collective agreements entered into within the company and their impact on its economic performance as well as on staff working conditions
	Information regarding the share capital
295-296	Major shareholders and ownership structure as at 31 December 2017
297-301	Information regarding the distribution of the share capital and, where applicable, of treasury shares
302-307	Summary of transactions carried out on their securities by senior executives, senior managers or persons with which they are closely linked
308-309	Restrictions imposed by the Board regarding the exercise of options granted or the sale of free shares granted to senior executives

Page	Heading
299-301	Information on buybacks of shares
160-163, 181	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
297	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
299-300	Information regarding the company's acquisition of its own shares with a view to allocating them to employees or senior executives
	Other information
325	Amount of dividends distributed over the last three years, and amount of distributed income eligible and ineligible for deductions, broken down by share class
188	Amount of loans of 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 Board, which the Board prescribed to include in the annual report
272-273	Information regarding supplier and customer payment dates of the company whose annual financial statements are certified by a statutory auditor
	Documents joints au rapport de gestion
274	Tableau des résultats de la société au cours de chacun des cinq derniers exercices
163 - 168	Rapport de la Gérance sur l'usage d'une délégation de compétence ou d'une délégation de pouvoirs de l'assemblée générale
	Autres documents
147 - 149	Rapport du Conseil de surveillance sur les résultats de ses contrôles
n/a	Rapport de la Gérance sur les opérations réalisées par la société ou par les sociétés qui lui sont liées au titre des options d'achat ou de souscription d'actions réservées au personnel salarié et aux dirigeants
	Items now included in the Supervisory Board's report on Corporate Governance (page 117)
119-125	Company's general management methods
119-125	Offices and positions held in any Company by each Corporate Officer during the past financial year
156, 235-236, 260, 326, 338, 341-344	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
163-168	Summary table of delegations of authority and powers granted by the general meeting to Executive Management with respect to capital increases
155-163, 236	Total compensation and benefits of all kinds paid to each Corporate Officer during the past financial year
330-333	Commitments of any kind made by the Company benefiting its Corporate Officers
169	Information on factors liable to affect the outcome of a public offering
126-154	Composition and conditions governing the preparation and organisation of consulting work
142	Application of the principle of balanced gender representation on the Board and description of the diversity policy applied within the Board
117-118	Provisions of the November 2016 AFEP-MEDEF Corporate Governance Code not applied by virtue of the company's legal form or other reasons
n/a	Specific terms and conditions relating to shareholder participation in the General Meeting

(1) Under Article L. 225-105 of the French Commercial Code (Code de commerce) regarding the social and environmental consequences of the Group's activities and its societal commitments in favour of sustainable development.

9.5.3 RECONCILIATION TABLE OF THE REGISTRATION DOCUMENT

The following table cross-references this document with the main headings required under EC Regulation no. 809/2004 enacting the terms of the European Parliament's "Prospectus" directive (2003/71/EC).

Items that are not applicable to Hermès International are marked "n/a".

Page	Headings in Appendix 1 of EC Regulation no. 809/2004
	1. Persons responsible
348	1.1. Persons responsible for the information contained in the registration document
348	1.2. Declaration of persons responsible for registration document
	2. Statutory Auditors
349	2.1. Name and address of the Company's Statutory Auditors
n/a	2.2. Statutory Auditors who have resigned, who have been removed or have not been reappointed during the period covered
15-16, 184-186	3. Selected financial information
35-44	4. Risk factors
	5. Information concerning the issuer
11-14	5.1. History and development of the Company
283	5.1.1 Name and Company trade name
284	5.1.2 Company registration location and number
284-285	5.1.3 Date of incorporation and duration of the Company
284-285, 318	5.1.4 Company headquarters and legal organisational structure of the Company, legislation governing its activities, country of origin, address and telephone number of its registered office
6-7	5.1.5 Important events in the development of the Company's activities
16, 185	5.2. Investments
	6. Overview of activities
31-33, 283	6.1 Main activities
17-24	6.1.1 Nature of operations conducted by the Company and its main activities
14	6.1.2. New products or services launched on the market
25-30	6.2. Principal markets
186	6.3. Exceptional events
36-37	6.4. Dependence
11	6.5. The basis for any statement from the Company regarding its competitive position
	7. Organisation
31	7.1 Overview description of the Group
238-240, 266-267	7.2. Company subsidiaries
	8. Property, plant and equipment
34	8.1. Major existing or proposed tangible assets
81-99	8.2. Environmental issues that may affect the utilisation of tangible assets
	9. Analysis of financial position and results
185	9.1. Financial position
184	9.2. Operating income
	10. Cash and capital
186	10.1. Information regarding the short-term and long-term capital of the Company
198	10.2 Source and amount of Company cash flows
225-226	10.3. Information about the borrowing conditions and the financial structure of the Company
n/a	10.4. Information regarding any restriction to the use of capital, reasonably influencing or capable of influencing, directly or indirectly, the operations of the Company
218	10.5. Information regarding expected sources of financing
38	11. Research and development, patents and licences

Page	Headings in Appendix 1 of EC Regulation no. 809/2004
	12. Information regarding trends
7, 189, 208	12.1. Main trends at the end of the last financial year until the date of the registration document
189	12.2. Known trend or uncertainty likely to reasonably influence the perspectives of the Company
n/a	13. Profit forecasts or estimates
	14. Administrative, management, or supervisory bodies and general management
119-148, 293	14.1. Administrative, management, or supervisory bodies
144-145	14.2. Conflicts of interest at the level of administrative, management, or supervisory bodies
	15. Compensation and benefits
155-163	15.1. Compensation of Corporate Officers
236	15.2. Total amounts set aside or accrued to provide pension, retirement or other benefits
	16. Operation of administrative and management bodies
119-139	16.1. Expiry date of current mandates
144-145, 156	16.2. Service contracts with members of the administrative, management, or supervisory bodies
150-154	16.3. Information on the Company's Compensation Committee and Audit Committee
117	16.4. Statement of compliance with the corporate governance regime in force in country of origin
	17. Employees
7, 11, 15, 61-62, 229	17.1. Number of employees
297	17.2. Shares and stock options
297	17.3. Arrangements for involving employees in the capital of the Company
	18. Main shareholders
296-297	18.1. Shareholders holding more than 5% of the share capital or voting rights
294	18.2. Existence of different voting rights
295	18.3. Control of the Company
309-312	18.4. All arrangements known to the Company whose implementation could result in a change of control at a later date
235-236, 260, 302-307	19. Related-party transactions
	20. Financial information concerning the assets, financial position and results of the Company
192-274	20.1. Historical financial information
n/a	20.2. Pro-forma financial information
248-251	20.3. Financial Statements
275-278	20.4. Verification of annual historical financial information
31/12/2017	20.5. Date of latest financial information
n/a	20.6. Intermediaries and other financial information
313	20.7. Dividend policy
274, 314	20.7.1. Dividend per share
38	20.8. Litigation and arbitration
n/a	20.9. Significant changes in financial or trading position
	21. Additional information
187, 218, 259	21.1. Share capital
218	21.1.1 Subscribed capital, changes in capital and shares
n/a	21.1.2 Shares not representing capital
218, 295-296, 300-301	21.1.3 Shares held by the Company
160-163, 181	21.1.4 Convertible securities, exchangeable or assorted with warrants, stock subscription options, stock options and performance-based share rights
285-286	21.1.5 Terms and conditions regulating any acquisition rights and/or obligations attached to capital subscribed but not paid, or an undertaking to increase the capital
181	21.1.6 Capital of any Group member under option or agreement
294	21.1.7 History of the share capital
336	21.1.8 Financial authorisations proposed to the Extraordinary General Meeting

Page	Headings in Appendix 1 of EC Regulation no. 809/2004
284-292	21.2 Incorporation and Articles of Association
285	21.2.1 Corporate purpose
287-293	21.2.2 Terms regarding members of the administrative, management, or supervisory bodies
286-287	21.2.3 Rights, privileges and restrictions concerning different share classes
287	21.2.4 Modification of shareholder rights
291	21.2.5 General Meetings
n/a	21.2.6 Provisions regarding a change of control of the Company
286	21.2.7 Provisions regarding shareholding thresholds
285-286	21.2.8 Conditions governing changes in share capital
310-312	22. Major contracts
n/a	23. Information from third parties, expert certifications and declarations of interest
318, 350	24. Publicly available documents
187	25. Information on holdings

9.5.4 CSR CORRESPONDANCE TABLE (ARTICLE 225-105)

Pursuant to Article L. 225-102-1 of the French Commercial Code (*Code de commerce*), Hermès International presents the actions and directions taken by the Company to address the social and environmental consequences of its activities and fulfil its social commitments in favour of sustainable development in its management report. The correspondence between the detailed information in this registration document with the information required by the regulations (mentioned in Article R. 225-105-1 of the French Commercial Code (*Code de commerce*)) is presented below. Key elements of the methodological explanations are given in the corresponding sections.

Page	Heading
	Human resources information
	Employment
61-63	The total number and distribution of employees by sex, age and geographical area (permanent staff: open-ended contracts, and fixed-term contracts over nine months)
63	Hiring and firing (in France, only for individual dismissals)
64-65	Compensation and trends (in France, only for incentives, shareholdings and employee support activities)
	Labour Organisation
65	Organisation of working time
65	Absenteeism (<i>in France</i>)
	Labour relations
66	Organisation of social dialogue, including information, consultation and negotiation procedures with staff (<i>in France</i>) Collective agreements (<i>in France</i>)
	Health and safety
68-69	Health, safety and working conditions
66	Record of agreements signed with trade unions or employee representatives on safety at work (<i>in France</i>)
71	Accidents at work, including their frequency and severity, as well as occupational illnesses (<i>in France</i>)
	Training
55-58	Policies implemented in training
55	The total number of training hours (<i>in France</i>)
	Diversity and equal opportunity/equal treatment
66-67	Policies implemented and measures taken in favour of equality between women and men
67-68	Policies implemented and measures for employment and integration of disabled people (<i>in France</i>)
66-67	Policies implemented and measures taken to combat discrimination
	Promotion and respect for fundamental conventions of stipulations concerning ILO:
176	♦ respect for freedom of association and the right to collective bargaining
176	♦ elimination of discrimination in employment and occupation
176	♦ elimination of forced or compulsory labour
176	♦ effective abolition of child labour
	Environmental information
	General environmental policy
51-54, 81-99	Organisation of the Company to take into account environmental issues. Evaluation approaches or certification for environmental issues
51-54, 81-82	Training and awareness-building for employees regarding the environment
51-54, 81-98	Funds allocated to the prevention of environmental risks and pollution
98	The amount of provisions and guarantees for risks to the environment, provided that such information is not likely to cause serious harm to the Company in an ongoing dispute
	Pollution and waste management
94-98	Measures for prevention, reduction or reclamation of emissions in the air, water and soil, severely affecting the environment
76-79	Measures for prevention, recycling, and waste disposal
97-98	Consideration of noise and other forms of pollution generated by a specific activity
	Sustainable use of resources

Page	Heading
83-84, 86-92	Water consumption and water supply according to constraints (<i>water consumption is published only on the scope of the industrial department</i>)
75-76	Consumption of raw materials and measures to improve efficiency in their use
84-92	Energy consumption, measures taken to improve energy efficiency and use of renewable energy (<i>energy consumption outside of electricity is published on the scope of the industrial department only</i>)
97	Land use
	Climate change
95-97	Release of greenhouse gases
81-97	Adapting to the consequences of climate change
	Protecting biodiversity
53-54, 105-110	Steps taken to develop biodiversity
	Societal information
	Territorial, economic and social impact of the Company's activity
51-53, 105-107	In terms of employment and regional development
51-53, 105-109	On local populations
	Relations maintained with persons or organisations interested in the Company's activity
66	Conditions for dialogue with such persons or organisations
105-109	Actions of partnership or sponsorship
	Subcontracting and suppliers
51, 100-104	Inclusion of social and environmental issues in the Company's purchasing policy
74-75, 100-103	Significance of subcontracting and consideration in relations with suppliers and subcontractors for their social and environmental responsibility
	Loyalty of practices
176	Actions taken in support of human rights
37	Measures taken in support of the health and safety of consumers
	Other actions taken in support of human rights
176	Actions taken in support of human rights

9.6 GLOSSARY

Active Partners

See “Société en commandite par actions” (Partnership Limited by Shares).

AFEP-MEDEF Code

Corporate governance code of publicly-traded companies established by the Association française des entreprises privées (AFEP) and the Mouvement des entreprises de France (MEDEF). This code compiles and puts into perspective all the principles of efficient running and transparency of publicly-traded companies.

Articles of Association

The Articles of Association are a deed of incorporation of a company which define 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.

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.

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.

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 the company’s general management and strategic actions, to ensure that risks are correctly managed and that goals are achieved;
- ◆ covers all the different bodies (Supervisory Council and its specialized committees, Executive Committee, etc.) put in place to oversee the management of a publicly-traded company.

Declaration by Senior Executives (upon disposal of securities)

A statement that the Senior Executives or any other person who holds, within the issuer, the power to make management decisions concerning its development and strategy, and who has access to inside information, as well as persons closely linked to them, are required to make to the AMF when they buy or sell company shares. This declaration, which must be made within five trading days of the transaction in question, contains, *inter alia*, the number of shares bought or sold and the unit price and amount of the transaction.

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 Hermès International registered share fully paid up for which evidence can be furnished of a book entry held in the name of a given shareholder for at least four years. It is effective as of the first meeting held after the fourth anniversary of the date of the said book entry; 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.

Economic value added (EVA)

Difference between recurring operating income after tax on operating income and the weighted average cost of capital.

Executive Chairman

The role of the Managing Director 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.

The Autorité des marchés financiers (AMF) is an independent public authority responsible for:

- ◆ protection of savings invested in financial products;
- ◆ investor information;
- ◆ proper financial market operation.

"Epargne InfoService" 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 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.

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.

Interim dividend

Advance payment of a portion of the forth coming dividend.

Institutional investors

Financial institutions (pension funds, insurance companies, banks, sovereign funds, etc.) investing money in securities.

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 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 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 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 alphanumeric code. It is linked to key reference information. Developed by the International Organization for Standardization (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 corporate officers 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 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 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 business activities over that period.

Net profit

Positive income statement (P+L) balance.

Non-recurring operating income

Corresponds to recurring operating income, plus other non-recurring income and expense items. Major events having occurred during the year and producing a material financial impact are contained in this item, which is presented separately from recurring operating income because it could give a misleading view of the Group's performance.

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.

Quorum

Minimum percentage of shares present or represented and carrying voting rights, required for a general meeting to validly proceed.

Recurring operating income

Difference between all income and expenses directly related to the Group's activities, whether these are recurring or the result of ad hoc, atypical decisions or transactions. Recurring operating income is an intermediate aggregate that makes it easier to understand the Group's operating performance and can be used to provide a forward-looking approach to recurring performance. This indicator is presented in a consistent, stable way over time, according to the principle of continuity and relevance of financial information.

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.

Registration Document

An information document about an issuer containing all the legal, economic and accounting information presenting a company for a given year. While this document is optional, most large publicly-traded companies do draft a registration document.

Restated net cash

Restated net cash includes cash investments that do not meet IFRS cash equivalent criteria as a result of their original maturity of more than three months.

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).

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.

Revenue at constant exchange rate

Revenue at constant exchange rate is calculated by applying the average exchange rates of the previous period, for each currency.

ROCE

Recurring operating income, after tax on operating income, based on average capital employed.

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.

Share capital

Portion of equity capital contributed by shareholders when the company is established or upon a subsequent capital increase.

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.

Shareholders' equity

Capital belonging to the shareholders comprising equity subscriptions, profits left in reserves and income for the period.

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.

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 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 by-laws.

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.

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 a double voting right, 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, by-laws, etc.), or documents and communications issued by the company (notice of meeting, registration document, financial disclosure, etc.).

Hermès International

Société en commandité par actions (partnership limited by shares) with share capital of €53,840,400.12 – Paris Trade and Company Register no. 572076396

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ISBN 978-2-35102-0630

A Hermès publication

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Layout by **Labrador**

