



2017 REGISTRATION DOCUMENT

Extract CSR

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2017
REGISTRATION
DOCUMENT

Extract CSR

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

1

OVERVIEW OF THE GROUP

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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
- ◆ *Fourre-tout* bag

1996

- ◆ *Harnais* watch
- ◆ *Heure H* watch

1997

- ◆ First Hermès shoes for men
- ◆ *Oran* sandal

1998

- ◆ *Herbag* bag
- ◆ Twice-round leather watchstraps
- ◆ *Quick* trainers

1999

- ◆ *Hiris* fragrance for women

2000

- ◆ *Corlandus* dressage saddle
- ◆ *Tandem* watch
- ◆ *Nil* porcelain tableware
- ◆ *Rouge Hermès* fragrance for women

2002

- ◆ *Picotin* bag
- ◆ *Plein cuir* desk line, a reissue of a range originally created in the 1930s
- ◆ *Quark* ring

2003

- ◆ *Un Jardin en Méditerranée* fragrance
- ◆ Twilly in silk twill
- ◆ Dressage
- ◆ Automatic gold watch
- ◆ *Étrivière* briefcase

2004

- ◆ *Eau des Merveilles* fragrance for women
- ◆ *Brasilia* 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

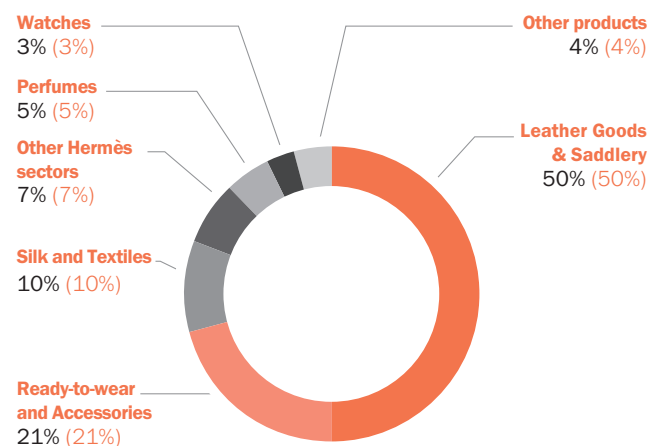
- ◆ *Verrou* bag
- ◆ *Bâton de Craie* bag
- ◆ *Hermès Arpège* dressage saddle
- ◆ *Carnets d'Équateur* porcelain tableware
- ◆ *Galop d'Hermès* fragrance for women
- ◆ Fourth *HBIV Continuum* haute bijouterie collection

2017

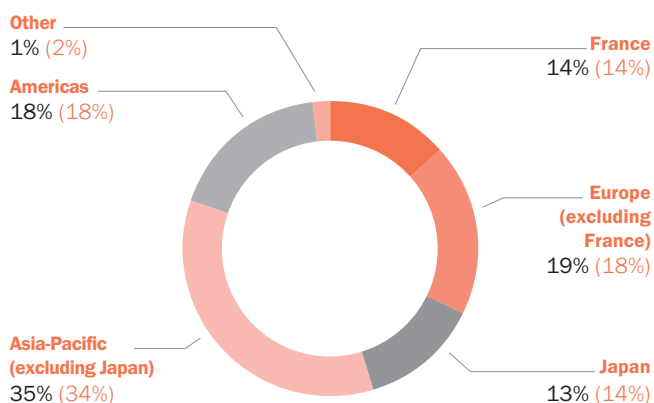
- ◆ *Hermès Cinhetic* bag
- ◆ *Twilly d'Hermès* fragrance for women
- ◆ *Chaîne d'ancre Punk* jewellery collection
- ◆ *Tie-Set* porcelain tableware
- ◆ *Liens d'Hermès* range of Maison objects

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



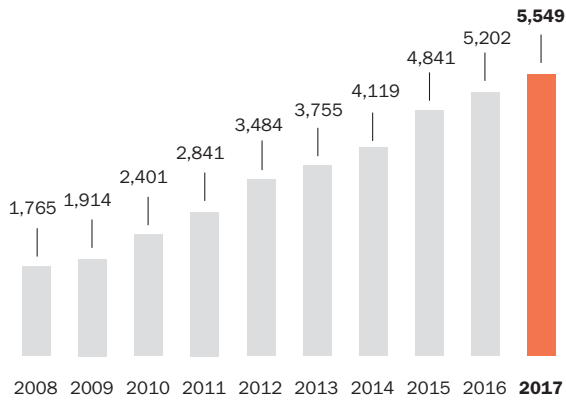
1.2.3 KEY CONSOLIDATED DATA

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

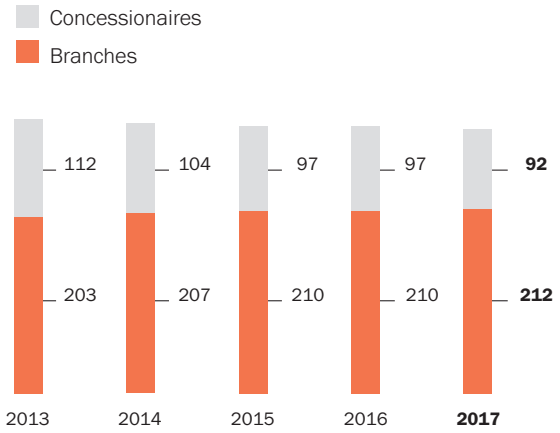
- (1) Growth at constant exchange rates is calculated by applying, for each currency, the average exchange rates of the previous period to the revenue for the period.
(2) See chapter 4, page 185.
(3) Equity excluding non-controlling interests.
(4) The restated net cash includes cash investments that 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

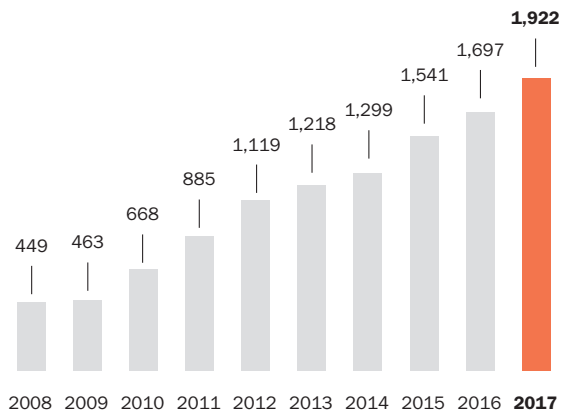


1.2.6 CHANGE IN THE NUMBER OF EXCLUSIVE RETAIL STORES

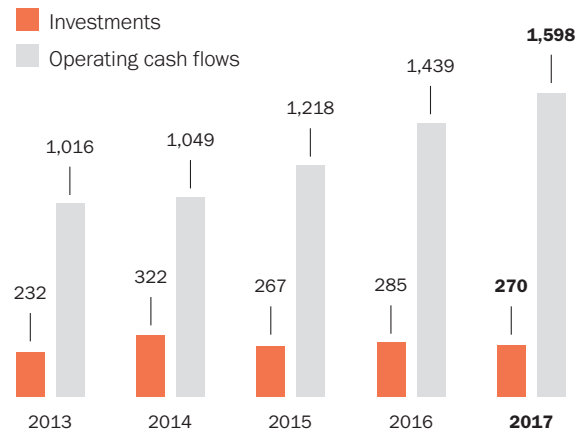


1.2.5 CHANGE IN RECURRING OPERATING INCOME

In millions of euros



1.2.7 INVESTMENTS (EXCLUDING FINANCIAL INVESTMENTS) AND OPERATING CASH FLOWS



1.4.4 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

1.5.2 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>)	
	<i>United States division, including Reptile Tannery of Louisiana (RTL) (Lafayette), Australia division</i>
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 Bussièrès et de Challes (ATBC) (<i>Bucol, Le Crin (Bussièrès, 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>)



1.7 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.fondationentreprisehermes.org, "The Foundation" section.

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:

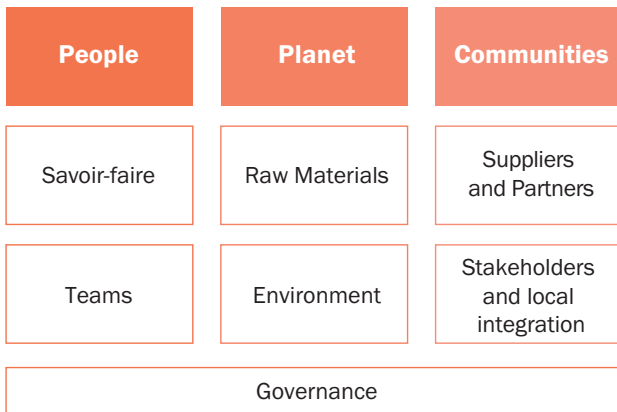
- ◆ Hermès oversees the development and transmission of its craftsmen's **savoir-faire**, and more widely, that of our staff which form the foundation of our approach to sustainable development. The framework primarily specifies priorities in the areas of training, skills development, sharing of savoir-faire 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 ESATs ¹ 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.

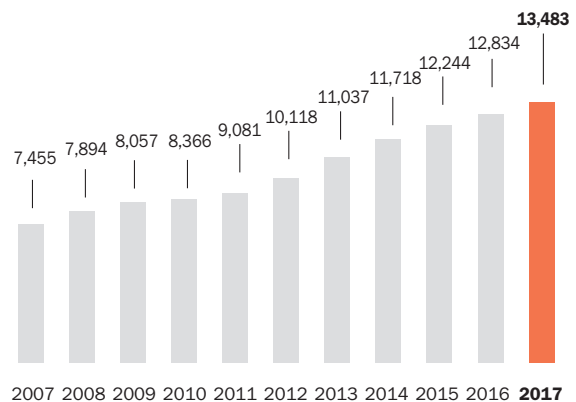
Numerous internal communication initiatives enable the corporate project and Group's values to be shared and this attitude, which is so characteristic of the House, to be nurtured.

2.3.1 FIGURES

2.3.1.1 Workforce

GROUP WORKFORCE

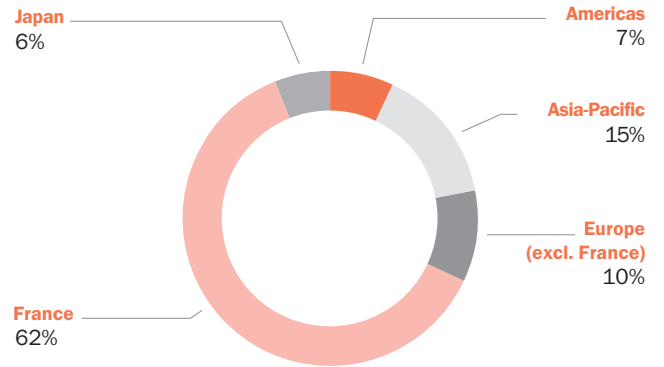
The workforce within the Hermès Group includes active permanent staff members and people on fixed-term contracts of more than nine months, including apprenticeship contracts. The permanent active staff represents 95% of the Group workforce. Increasing by roughly 81% over the last ten years, the Group 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.

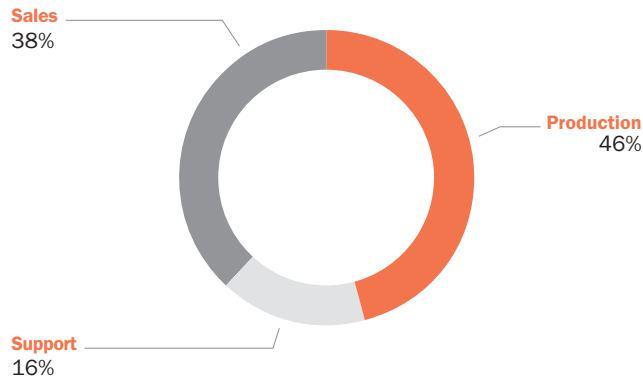


Geographical area	2016	2017	% growth	Distribution of additional jobs
Americas	871	938	8%	10%
Asia-Pacific	1,980	2,041	3%	9%
Europe (excl. France)	1,351	1,421	5%	11%
France	7,881	8,319	6%	68%
Japan	751	764	2%	2%
GRAND TOTAL	12,834	13,483	5%	100%

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.

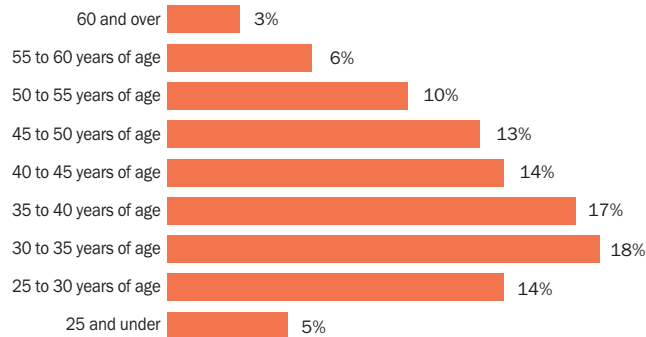
Support staff include:

- ◆ 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

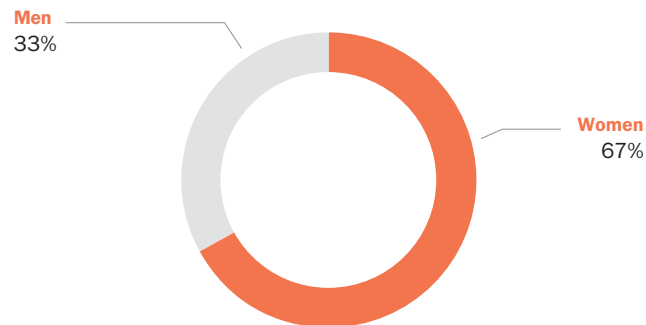
WORKFORCE BY AGE

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



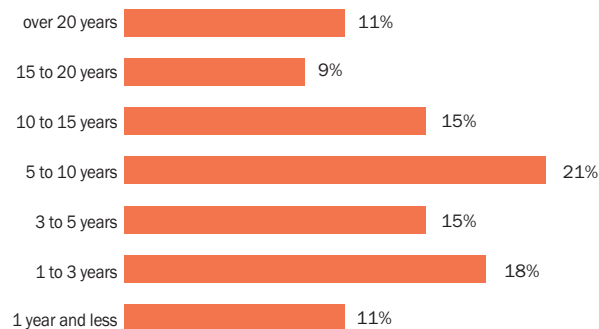
BREAKDOWN BY GENDER

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.

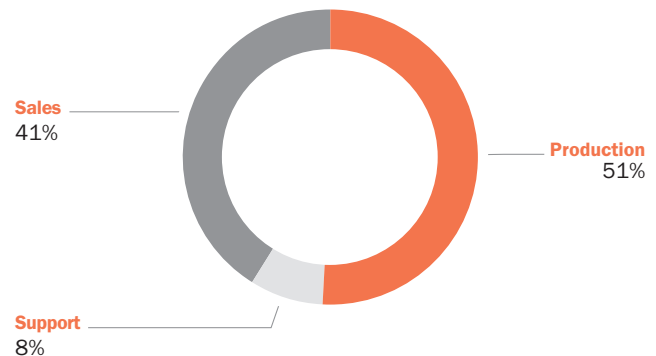
The new Iguatemi in Sao Paulo and Sydney Airport stores and the Copenhagen branch contributed to the increase in the workforce in 2017.

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.

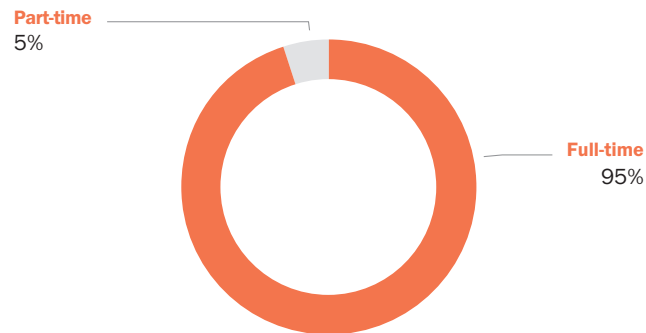
Consequently, the last free share allocation plans (introduced in 2016) were allocated to over 11,300 Group employees worldwide and involved a total of 806,060 shares. To promote employee loyalty over the medium and long term, and to boost collective performance, these plans are subject to a vesting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

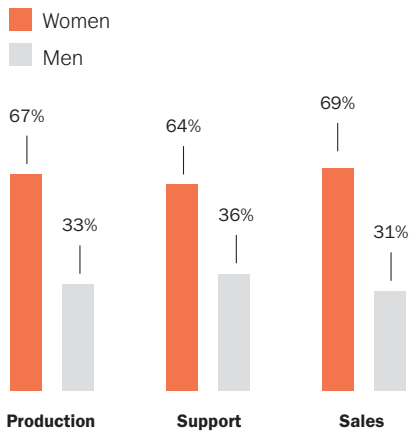
2.3.3.3 Equal opportunity

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.

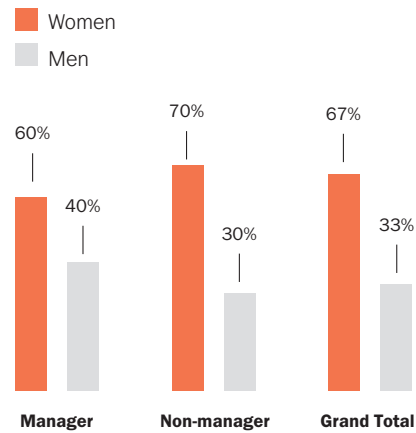
GENDER BREAKDOWN BY SECTOR

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.



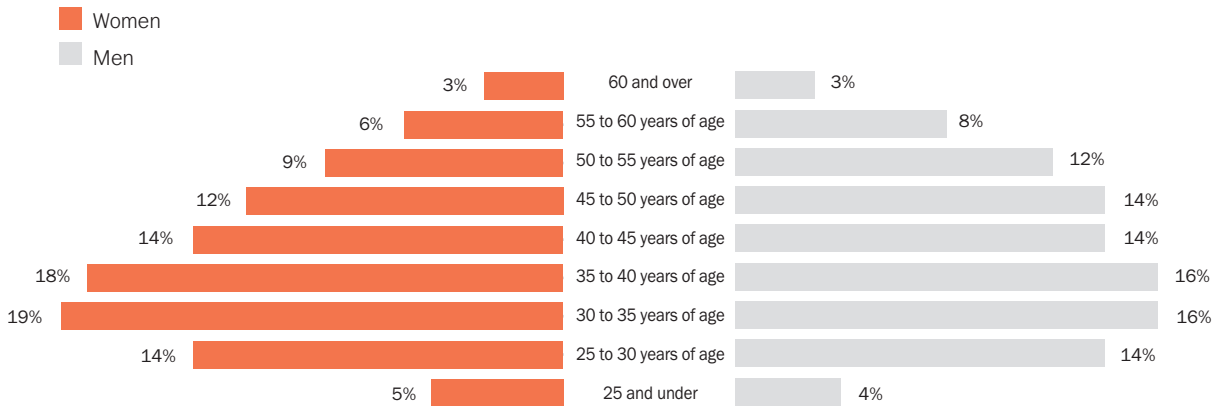
GENDER BREAKDOWN BY CATEGORY (MANAGERS/NON-MANAGERS)

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 €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.

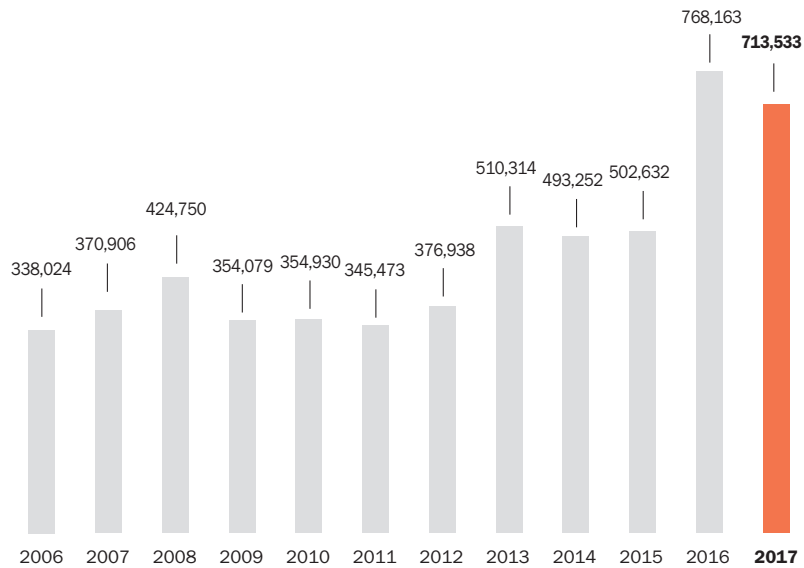
2.5.2 CONTROL OF WATER CONSUMPTION (INDUSTRIAL)

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)

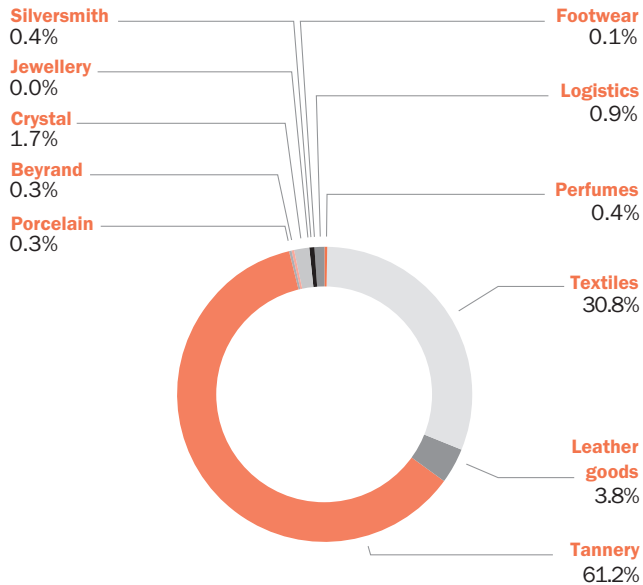


In 2017, total water consumption was down notably (-7.1%) compared to 2016.

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.

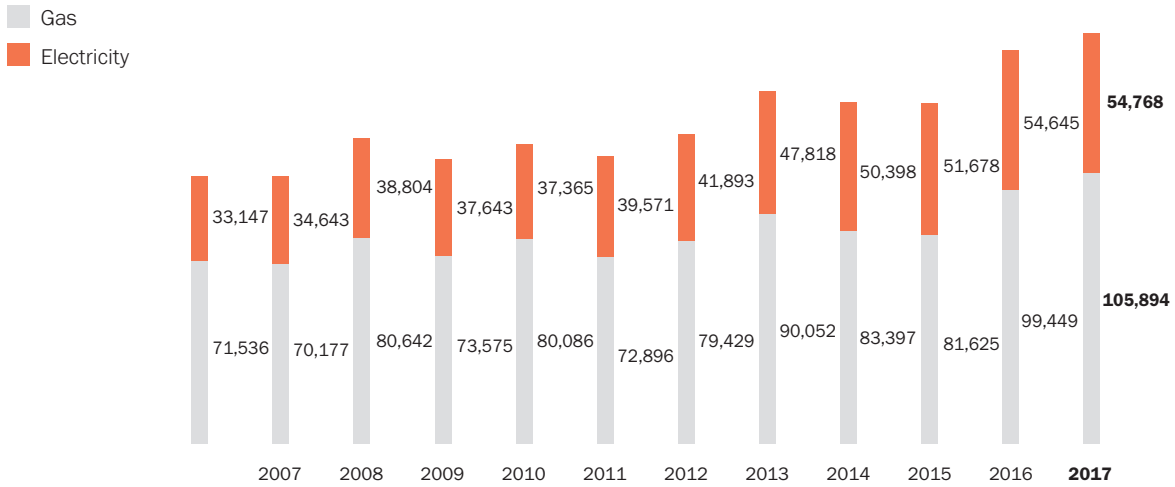
Since the Group launched its environmental programme in 2002, despite a four-fold increase in industrial output, energy consumption had only doubled, testifying to the improved management of consumption.

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)

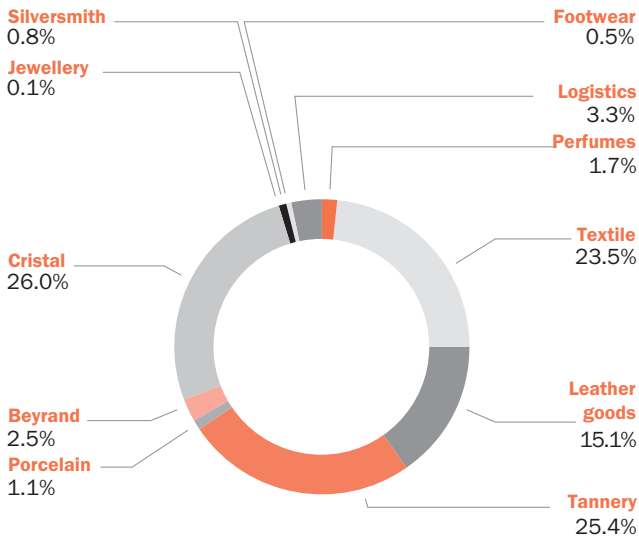
Total industrial consumption of the Group at constant scope between 2016 and 2017 (including Tanneries du Puy).



2

(excluding fuel oil and wood)

ENERGY CONSUMPTION (ELECTRICITY AND GAS) BY MÉTIER IN 2016



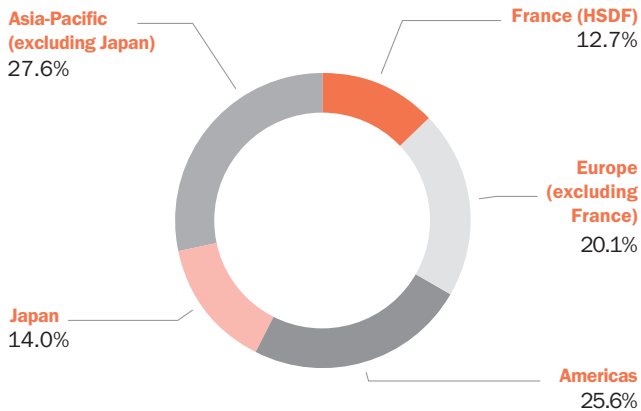
2.5.3.3 Construction

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.

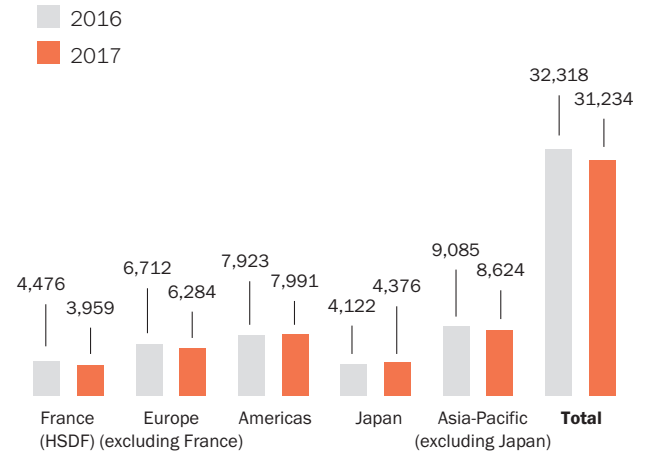
The downward trend in the ratio of energy consumption to sales surface (KWh/m²), especially in France and the United States, is attributable chiefly to the increase in LED lighting together with improved management of energy consumption, which continued to become more widely used in 2017.

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.

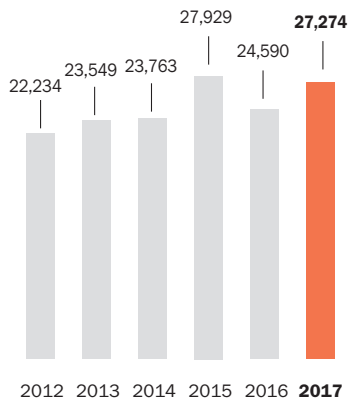
WATER

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.

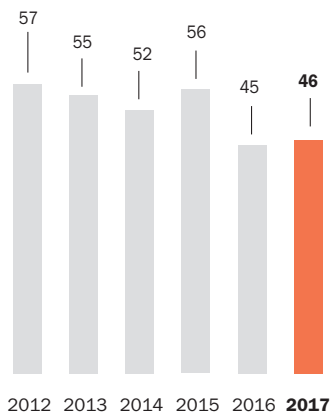
Closer monitoring within each factory, makes it possible to control water consumption in the best possible manner and identify, if need be, possible technical problems of leakages.

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)

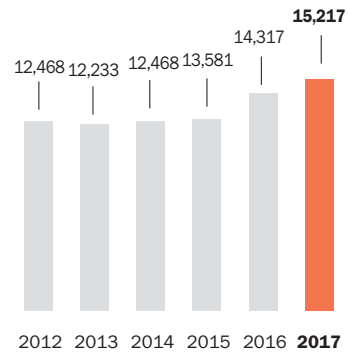


ENERGY

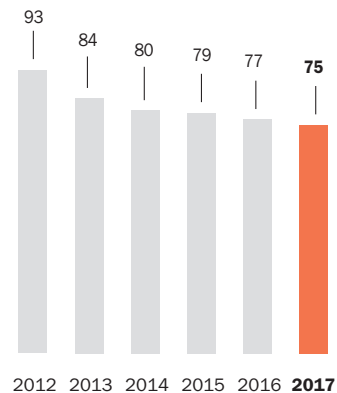
The energies used by the Leather Goods division are as follows:

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)

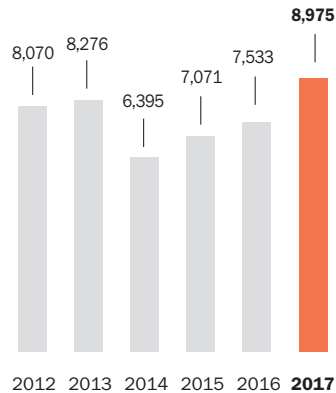


Gas: gas is used only to heat sites. With a consumption of 8,975 MWH in 2017, the gas ratio increased compared to 2016. The reason for this is:

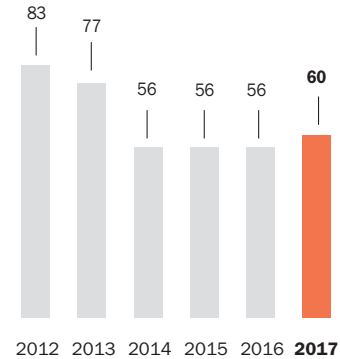
- ♦ the commissioning of a gas heating system in one of the production units to replace an existing device;

- ♦ 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 <i>in cubic metres</i>	238,760	269,232	275,995	256,534	210,577	219,968
Electricity <i>in megawatt hours</i>	11,673	12,586	14,050	13,034	12,856	12,081
Gas <i>in megawatt hours</i>	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 Énard 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 <i>in cubic metres</i>	1,615	1,883	1,733	2,230	2,248	2,066
Electricity <i>in megawatt hours</i>	1,229	1,222	1,208	1,208	1,290	1,204
Gas <i>in megawatt hours</i>	547	696	499	494	487	534
Fuel oil <i>in megawatt hours</i>	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 <i>in cubic metres</i>	4,150	4,243	3,936	2,706	2,791	2,481
Electricity <i>in megawatt hours</i>	2,550	2,425	2,482	2,473	2,374	2,282
Gas <i>in megawatt hours</i>	1,709	1,627	1,218	1,779	1,916	1,803
Fuel oil <i>in litres</i>	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

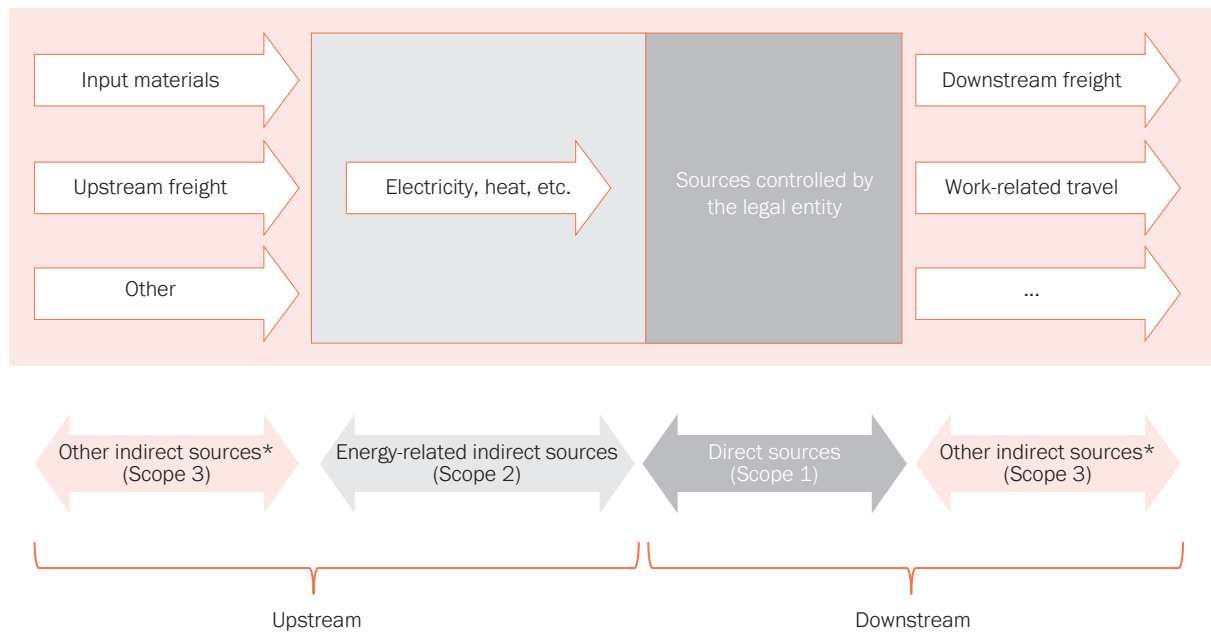
The site has a water treatment station at the exit of the washer/scouring sluice. It uses a physicochemical process. Silver recovery units have been installed at the exit of the film developers. Analysis of the conformity of the discharge of wastewater in the public network is carried out every year.

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 crocodilian 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 OLFACTORY EMISSIONS

A large amount of equipment is replaced each year to improve systems used for the treatment of waste discharged into water and into the atmosphere in order to meet all applicable regulations. Similarly, noise measurements are regularly 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.

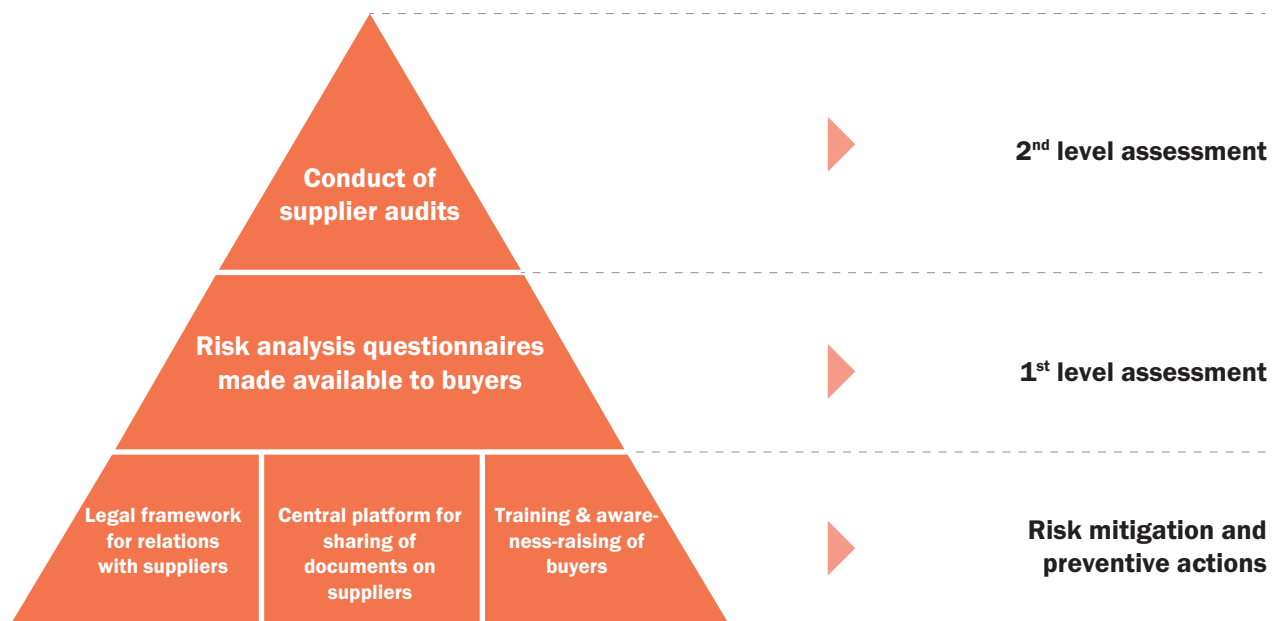
2.6.1.1 Duty of care

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 (EA¹, ESAT²) 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 APAEIE Ingwiller.

As part of Disability Week, visits were organised to the Cristallerie and the La Ruhe 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 "Cit  du Cuir" (Leather City) and restoration of the banks of the Vienne undertaken by the Communaut  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 R so 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 m tiers. 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 Maroquinier 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 Kesenuma. 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

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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

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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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3.2 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).

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ADDITIONAL INFORMATION

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9.5.4	CSR correspondance table (Article 225-105)	358

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

Hermès International

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