

EXTRACT CSR

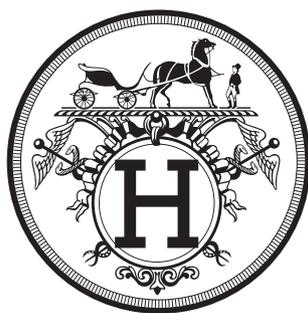
HERMÈS
2016 REGISTRATION DOCUMENT

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The information in the annual financial report is identified in the contents with the help of the *AFR* pictogram.



In accordance with Article 212-13 of the AMF General Regulation, this Registration Document containing the annual financial report was with the Financial Markets Authority («AMF») on 19 April 2017. This document may be used in support of a financial transaction only if it is supplemented by a securities note approved by the Financial Markets Authority (AMF). This document has been drawn up by the issuer and implies the responsibility of its authorised signatories.



2016
REGISTRATION
DOCUMENT

EXTRACT CSR

Including the annual financial report

Our true nature (or) Our values are alive



Like good gardeners, we seek to cultivate our values. Loyalty to our spirit of work well done, the preservation of our know-how, and the importance we attach to its transmission are all factors that ensure our house is built on firm ground.

Solidity is one thing; vitality is quite another, and just as important. While ancient palaces have their charm, our preference is for vibrant houses resounding with ideas, dialogue and laughter. Above all, we cultivate that which has thus far safeguarded our good health: the creativity of artists and the ingenuity of artisans.

This desire to renew and reinvent ourselves is constant. It is etched into our most profound nature and is a fundamental value that determines our path.

Finally, with a gardener's spirit, we tend to this vitality while respecting the great equilibrium of the world, an issue that concerns and motivates us, and drives us to progress.

As I am sure you are aware, since our house was founded in 1837, respect for nature has never ceased to be a guiding spirit!

Axel Dumas
EXECUTIVE
CHAIRMAN

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

HIGHLIGHTS FOR 2016

GENERAL TREND

Excellent performance in sales and results in 2016

The Group's consolidated revenues passed the €5 billion mark to reach €5,202 million up 7.5% at current exchange rates, and 7.4% at constant exchange rates. Recurring operating income, up 10%, amounted to €1,697 million (32.6% of sales) and net profit increased 13% to reach €1,100 million.

Sales by geographical area and by business line

(At constant exchange rates unless otherwise indicated)

The solid rise in revenue recorded in 2016 in Group stores (+8%) was driven by growth in all geographic areas. Hermès continued to improve the quality of its distribution network, with four store openings and several renovations and extension works.

All geographic areas progressed in 2016

Japan (+9%) performed well thanks to its selective distribution network, despite the strengthening of the Yen and a high comparison basis.

Asia excluding Japan (+7%) pursued its growth, particularly with extensions of the Liat Towers and Takashimaya stores in Singapore and store openings in Macao, at Hong Kong Airport and in Chongqing in China. In mainland China, the Group continued to develop even though the context remains challenging in Hong Kong and Macao.

America (+7%) achieved solid growth, in a contrasting environment. The stores in Hawaii and Philadelphia were renovated and extended at the end of the year.

Europe (+8%) posted growth, performing well which confirms the resistance of the Group, despite the impact of recent events. After being extended and renovated in October, the Bocca di Leone store in Rome is experiencing a great success. France (+5%) displayed solid growth.

Revenue by sector at the end of december

Growth over the year was driven by the success of Leather Goods and Saddlery products which confirm their role as the mainstay of the Group. Otherwise, sales benefitted from a positive momentum at year end in certain sectors such as Silk and the Ready-to-wear and Accessories division.

Growth in Leather Goods and Saddlery (+14%) was remarkable, thanks to the success of the collections and the diversity of models, particularly the *Constance*, *Halzan* and *Lindy* bags alongside the *Birkin* and *Kelly*. Development was supported by the sustained pace of deliveries and production, gaining from the capacities of the three new sites in Charente, Isère and Franche-Comté. Investments for a third site in this latter region continued.

The Ready-to-wear and Accessories division was stable over the year and posted a 4% increase in the 4th quarter, driven by the success of the latest women's ready-to-wear and fashion accessories collections, particularly shoes.

The Silk and Textiles business line (-1%) performed well in the 4th quarter, after being penalised by events in Europe and by slowing sales in Greater China during the first half of the year.

Perfumes (+9%) posted growth, driven by the success of *Terre d'Hermès*, the launch of *Galop d'Hermès*, and the latest creations such as the *Colognes*, *Eau de néroli doré* and *Eau de rhubarbe écarlate*.

The Watches business line (-3%) was penalised by a still challenging market and a high comparison basis at year end.

Other Hermès business lines (+2%), which encompass Jewellery, Art of Living and Hermès Table Arts, continued their development.

Operating margin reached an all-time high of 32.6% of sales

Recurring operating income rose 10% to reach €1,697 million compared to €1,541 million in 2015. Operating margin (32.6% of sales) improved by 0.8 points compared to 2015, particularly due to the favourable impact of foreign exchange hedges.

Consolidated net profit (Group share) increased 13% to €1,100 million, representing 21.2% of sales.

Cash flow from operating activities reached €1,439 million, up by 18%. It enabled the Group to finance all capital expenditure (€262 million) and the distribution of the ordinary dividend (€350 million). After accounting for the decrease in working capital requirements, net cash rose by c. €750 million and amounted to €2,320 million as at 31 December 2016.

In 2016, Hermès International redeemed 319,621 shares for €110 million, outside transactions completed within the framework of the liquidity contract.

Growth in workforce

The Hermès Group's workforce gained 590 members, including more than 400 in France, mainly in the production facilities and sales teams. At year-end 2016, the Group employed 12,834 people including 7,881 in France.

1

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1.1 STAGES OF THE GROUP'S HISTORY

SIX GENERATIONS OF CRAFTSMEN

Today, Hermès employs 12,834 people worldwide and has 307 exclusive stores, 210 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
- ◆ *Hermessence*
- ◆ First fragrance collection

2005

- ◆ *Un Jardin sur le Nil* fragrance
- ◆ Porcelain tableware
- ◆ *Balcon du Guadalquivir* porcelain tableware

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
- ◆ *Les Nécessaires d'Hermès*
- ◆ Occasional furniture

2014

- ◆ *Oxer* bag
- ◆ *Nautilus* pen
- ◆ *Faubourg* watch
- ◆ Third haute bijouterie collection
- ◆ *Le Parfum de la maison*
- ◆ *H-Déco* tea and dessert service
- ◆ Lighting collection

2015

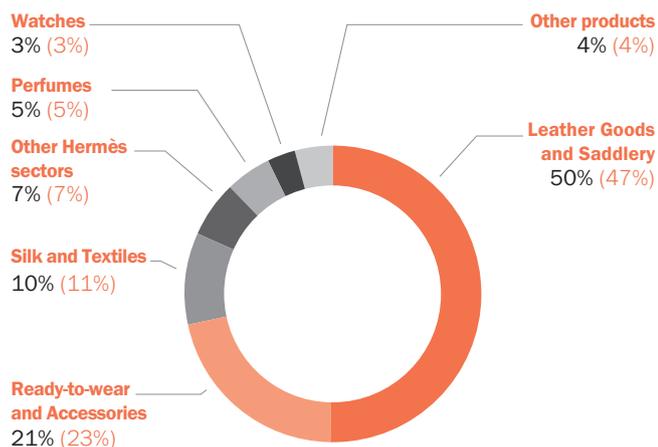
- ◆ *Octogone* bag
- ◆ *Cherche-Midi* bag
- ◆ *Slim* d'Hermès watch
- ◆ *Le Jardin de Monsieur Li* fragrance
- ◆ Porcelain tableware
- ◆ *Voyage en Ikat*
- ◆ *Cityhall* briefcase

2016

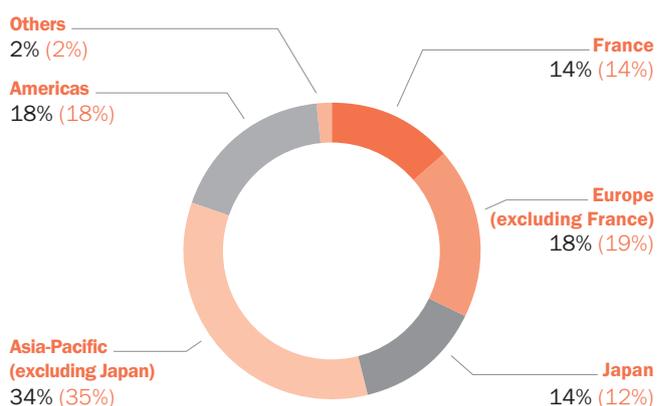
- ◆ *Verrou* bag
- ◆ *Bâton de Craie* bag
- ◆ *Hermès Arpège* dressage saddle
- ◆ *Carnets d'Équateur* porcelain tableware
- ◆ *Galop d'Hermès* fragrance for women
- ◆ Fourth *HBIV Continuum* haute bijouterie collection

1.2 KEY FIGURES

1.2.1 BREAKDOWN OF REVENUE BY SECTOR 2016 VS 2015



1.2.2 BREAKDOWN OF REVENUE BY GEOGRAPHICAL AREA 2016 VS 2015



1.2.3 KEY CONSOLIDATED DATA

In millions of euros	2016	2015	2014	2013	2012
Revenue	5,202.2	4,841.0	4,118.6	3,754.8	3,484.1
Operating income	1,696.5	1,540.7	1,299.3	1,218.0	1,118.6
Net income attributable to owners of the parent	1,100.3	972.6	858.8	790.3	739.9
Operating cash flows	1,438.7	1,218.2	1,048.7	1,015.9	884.8
Investments (excluding financial investments)	285.4	266.6	322.2	232.4	370.0
Equity attributable to owners of the parent ¹	4,382.6	3,742.0	3,449.0	2,825.6	2,344.4
Net cash position	2,319.8	1,571.2	1,421.6	1,022.0	686.1
Restated net cash ²	2,345.3	1,614.0	1,493.6	1,091.0	721.0
Economic value added (EVA) ³	948.9	792.7	712.6	655.1	605.7
Return on capital employed (ROCE) ⁴	49%	45%	43%	45%	49%
Number of employees	12,834	12,244	11,718	11,037	10,118

(1) Equity excluding non-controlling interests.

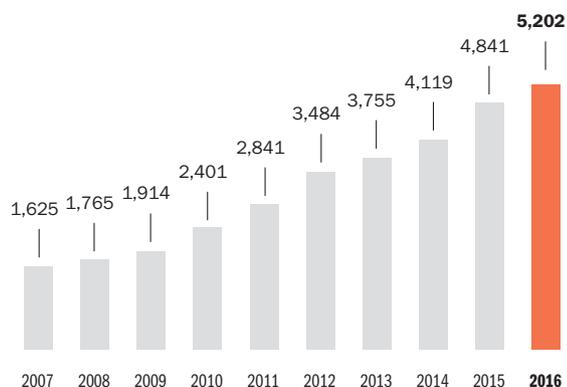
(2) Net cash includes non-liquid financial investments and borrowings.

(3) Difference between recurring operating income after tax on operating income and the weighted average cost of capital employed.

(4) Recurring operating income, after tax on operating income, based on average capital employed.

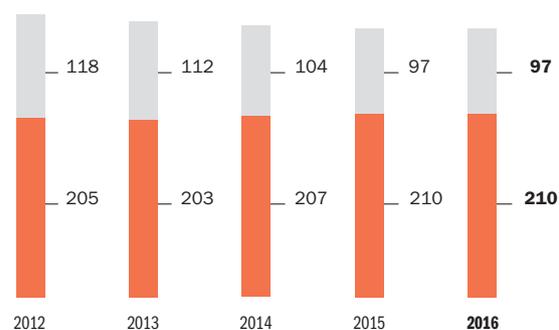
1.2.4 CHANGES IN CONSOLIDATED REVENUE

In millions of euros



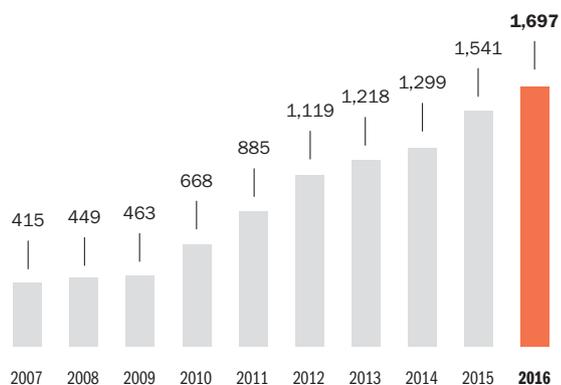
1.2.6 CHANGE IN THE NUMBER OF EXCLUSIVE RETAIL STORES

■ Concessionaires
■ Branches



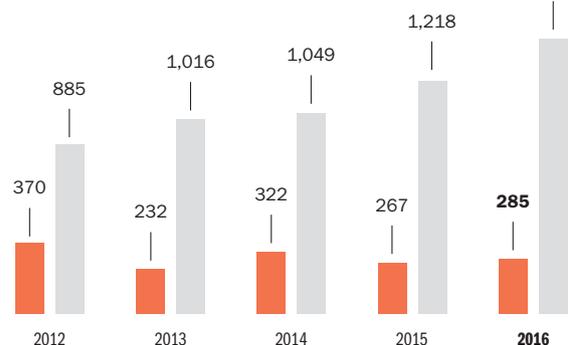
1.2.5 CHANGE IN RECURRING OPERATING INCOME

In millions of euros



1.2.7 INVESTMENTS (EXCLUDING FINANCIAL INVESTMENTS) AND OPERATING CASH FLOWS

■ Investments
■ Operating cash flows



1.4.4 HERMÈS POINTS OF SALE WORLDWIDE

Hermès products are available worldwide through a network of 307 exclusive stores. 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

2 concessionaires

France: 32

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

18 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
- ◆ Rome
- ◆ 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: 12

9 branches:

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

3 concessionaires

Turkey: 3

2 branches:

- ◆ Istanbul
- ◆ 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: 2

2 branches:

- ◆ Cidade Jardim
- ◆ Rio de Janeiro

Canada: 5

4 branches:

- ◆ Calgary
- ◆ Montreal
- ◆ Toronto
- ◆ Vancouver

1 concessionaire

Caribbean: 1

1 branch:

- ◆ Saint-Barthélemy

Chile: 1

1 concessionaire

Mexico: 6

4 branches:

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

2 concessionaires

Panama: 1

1 concessionaire

USA: 34

27 branches:

- ◆ Atlanta
- ◆ Bergen County
- ◆ Beverly Hills
- ◆ Boston
- ◆ Charlotte
- ◆ Chicago
- ◆ Dallas
- ◆ Denver
- ◆ Greenwich
- ◆ Hawaii Ala Moana
- ◆ Hawaii Duty Paid Waikiki
- ◆ Houston
- ◆ King of Prussia
- ◆ Las Vegas Bellagio
- ◆ Las Vegas CityCenter
- ◆ Las Vegas Wynn
- ◆ Miami
- ◆ New York Madison
- ◆ New York Madison Men's
- ◆ New York Wall Street
- ◆ Palm Beach
- ◆ San Diego
- ◆ San Francisco
- ◆ Seattle
- ◆ Short Hills
- ◆ South Coast Plaza
- ◆ Washington City Center

7 concessionaires

Asia

China: 24

23 branches:

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

1 concessionaire

Hong Kong: 8

8 branches:

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

India: 2

2 branches:

- ◆ Mumbai
- ◆ New Delhi

Indonesia: 2

2 concessionaires

Japan: 40

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
- ◆ 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

9 concessionaires

Kazakhstan: 1

1 concessionaire

Macao: 4

4 branches:

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

Malaysia: 3

2 branches:

- ◆ Kuala Lumpur Pavilion
- ◆ The Gardens

1 concessionaire

Philippines: 1

1 concessionaire

Singapore: 7

7 branches:

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

South Korea: 17

10 branches:

- ◆ Busan Shinsegae
- ◆ Daegu Hyundai
- ◆ Seoul Lotte C2
- ◆ Seoul Dosan Park
- ◆ Seoul Galleria
- ◆ Seoul Hyundai
- ◆ Seoul Hyundai CoEx
- ◆ Seoul Shilla
- ◆ Seoul Shinsegae
- ◆ Seoul Shinsegae Gangnam

7 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 Siam Paragon
- ◆ Central Embassy

1 concessionaire

Vietnam: 2

2 concessionaires

Middle east

Bahrain: 1
1 concessionaire

Kuwait: 1
1 concessionaire

Lebanon: 2
2 concessionaires

Qatar: 2
2 concessionaires

United Arab Emirates: 6
6 concessionaires

Oceania

Australia: 4
4 branches:
◆ Brisbane
◆ Melbourne
◆ Pacific Fair
◆ Sydney

Guam: 1
1 branch

Saipan: 1
1 branch

1.5 SIMPLIFIED GROUP ORGANISATIONAL CHART

1

1.5.1 OVERVIEW DESCRIPTION OF THE GROUP AS AT 31 DECEMBER 2016

HERMÈS INTERNATIONAL



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

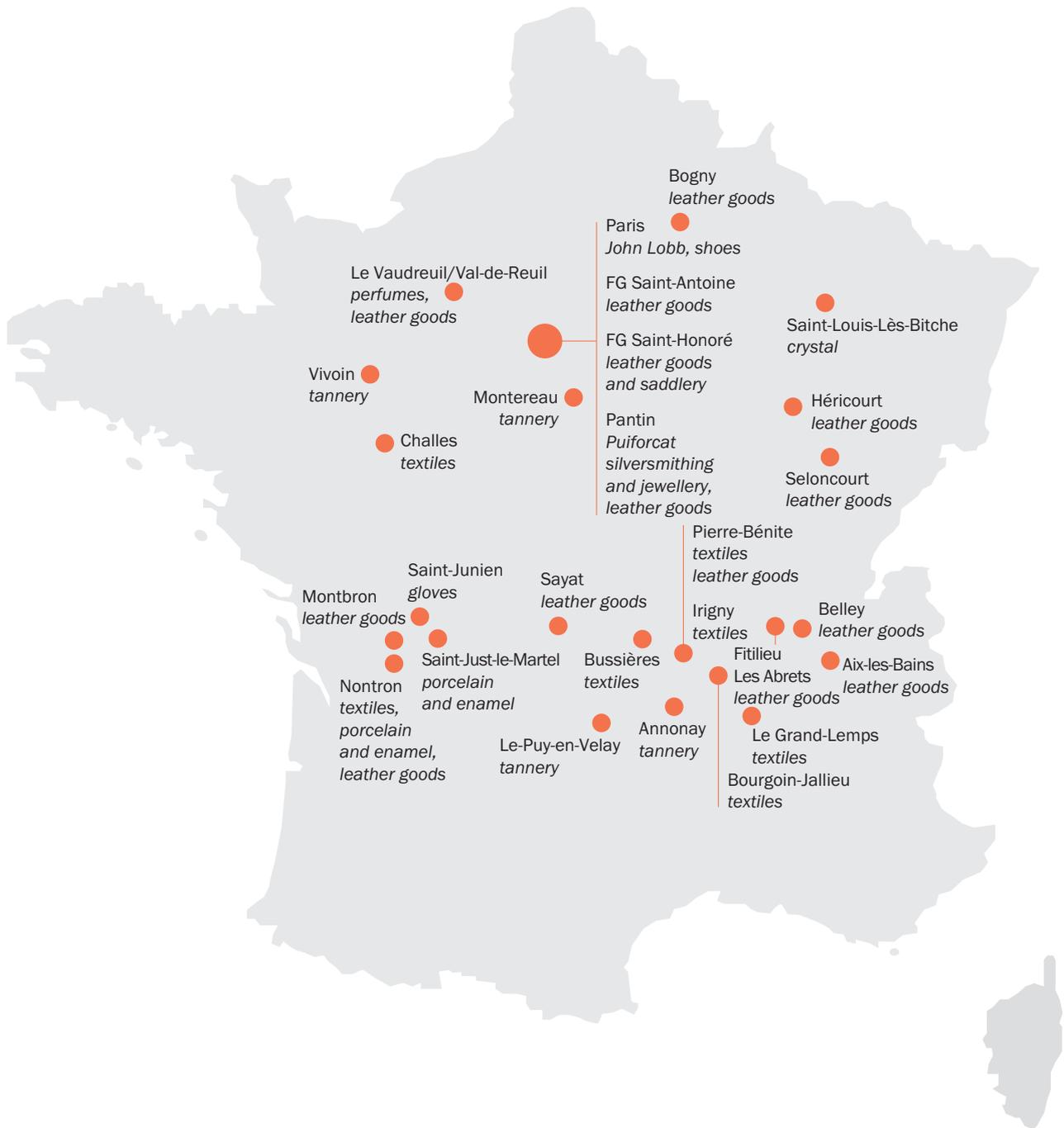
(1) Furnishing fabrics

The main consolidated companies as at 31 December 2016 (distribution subsidiaries and holding companies of the divisions) are listed in Note 32 of the consolidated financial statements.

1.5.2 PRODUCTION FACILITIES

The Hermès Group operates 50 production sites, including 38 in France, divided over 44 geographic sites (including 32 in France, 3 in Switzerland, 2 in the United States, 4 in Australia, 2 in Italy and 1 in Great Britain), as well as the logistics centre in Bobigny.

Sector	Company (production sites)
Leather Goods	Hermès Sellier (<i>Paris Faubourg-Saint-Honoré, Pantin, Pierre-Bénite</i>)
	Maroquinerie de Saint-Antoine (MSA) (<i>Paris Faubourg-Saint-Antoine</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</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>Le Vaudreuil</i>)
	Maroquinerie Iséroise (<i>Fitilieu, Les Abrets</i>)
	Maroquinerie de la Tardoire (<i>Montbron</i>)
	Tanning and Precious Leathers
Tannerie de Vivoin (<i>Vivoin</i>)	
Tannerie d'Annonay (<i>Annonay</i>)	
Conceria di Cuneo (<i>Cuneo/Italy</i>)	
Les Tanneries du Puy (<i>Le Puy-en-Velay</i>)	
United States division, including Reptile Tannery of Louisiana (RTL) (<i>Lafayette</i>), Australia division	
Perfumes	Comptoir Nouveau de la Parfumerie (CNP) (<i>Le Vaudreuil</i>)
Textiles	Créations Métaphores (<i>Bourgoin-Jallieu</i>)
	Société d'Impression sur Étoffes du Grand-Lemps (SIEGL) (<i>Le Grand-Lemps</i>)
	Ateliers A.S. (<i>Pierre-Bénite</i>)
	Holding Textile Hermès (HTH) (<i>Pierre-Bénite, Bourgoin-Jallieu</i>)
	Établissements Marcel Gandit (Gandit) (<i>Bourgoin-Jallieu</i>)
	Ateliers de Tissage de Bussières et de Challes (ATBC) (<i>Bucol, Le Crin</i>) (<i>Bussières, Challes</i>)
	Société Nontronnaise 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 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>)
	Natéber (<i>La Chaux-de-Fonds/Switzerland</i>)
	Joseph Érad (<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, Pantin</i>)



1.6 PROPERTY

In Paris, the Group now occupies office surface of approximately 26,000 m², mainly near its historical registered office of 24, rue du Faubourg-Saint-Honoré and 19-21, rue Boissy-d'Anglas, which it owns. Staff are also assigned to office premises in rue de la Ville-l'Évêque and rue d'Anjou, rented to third parties under commercial leases, and on a site located at rue du Faubourg-Saint-Antoine, which also houses a leather goods workshop.

In 2016, in Bobigny, the Group continued the work to increase the size of its 21,000 m² logistical site, which it owns.

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

Concerning the production sites, the Group is the owner of 41 of the 50 units that it operates. (please refer to page 30 for a detailed list).

A new leather goods workshop, located in Franche-Comté, in Héricourt, opened in 2016 and phase 1 of the works on our future leather goods site in Normandy located in the Val de Reuil commune is complete.

Hermès products are sold worldwide via a network of 307 exclusive stores (a detailed list is given on pages 25 to 28). Of the 307 Hermès exclusive retail stores throughout the world, 210 are operated as branches. Most of these are rented under long-term commercial leases intended primarily to ensure the continuity of operations over time. The Group also owns the buildings that house certain stores, including those in Paris, Ginza in Tokyo, Dosan Park in Seoul, The Galleria in Hong Kong, Beverly Hills in the US and in Geneva, Switzerland. Furthermore, the Group owns a commercial and office building in London which was acquired in 2009 and is let to an external tenant. The branches are located in the following geographical areas: 70 in Europe (including 14 in France), 39 in the Americas (including 27 in the US), 95 in Asia (including 31 in Japan), and 6 in Oceania.

1.7 FONDATION D'ENTREPRISE

Promoting expertise, supporting design, improving the transfer of knowledge across the generations, while leaving behind a sustainable planet for future generations: these have been the objectives of the Hermès Fondation d'Entreprise since it was set up in 2008. These causes closely fit the Hermès values and culture, and are applied by the Foundation to the field of common good and in a flexible way with the operations specific to the house. Sponsorship is a voluntary initiative and our discretion is used to gain the efficiency sought from our support. Far from being content with merely alleviating their difficulties, we are committed, by working with decision-makers, to support company transformations: this involves taking the time to explore new solutions and to design new and innovative responses to societal and artistic challenges... We apply these convictions to everything we do: supporting artistic imagination with critical and enlightened opinions, fostering knowledge transfer to help young people to build their future, highlighting human ability to manufacture in an innovative and prospective way using ancestral expertise, promoting manual craftsmanship as a source of development. The Foundation's daily task is to listen to civil society players who share the same concerns and play a role in the collective drive towards a more harmonious world.

The Foundation expresses its various commitments in different ways. It implements programmes championed directly by its team which aim to give beneficiaries a fertile context in which to realise their ambitions:

Skills Academy, Prix Émile Hermès, artists' residences at Hermès manufacturing sites and Immersion... Others are initiated in partnership with general interest bodies with which we share objectives; this was the case in 2016, with Manufacto, la fabrique des savoir-faire, developed with the Paris board of education, les Compagnons du devoir and l'école Camondo (Paris) to raise awareness among children of manual craftsmanship. Our support for creativity in the area of live spectacle would be unthinkable without the support of and sharing with institutions such as the Théâtre de la Cité internationale, le Festival d'Automne and the Théâtre des Amandiers-Nanterre. Finally, more traditionally, calls for projects enable us to identify the most relevant stakeholders to deal with the challenges posed by the assistance programme; such is the case of H3 in which employees of Hermès can themselves become involved in solidarity and biodiversity protection initiatives.

Our role is to make it possible to bring projects to life, meet the conditions necessary to reach their aim, to support the women and men who work for the common good. The Foundation would not be effective without their skill and commitment. This involves decision-making and risk-taking, trust and respect, but also optimism for the future, come what may.

This text by Catherine Tsekenis, Director of 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 professional development and then, gradually, 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. In every respect a “land of hands” (the House employs more than 4,300 craftspeople in France), Hermès has sought to foster this artisanal spirit that makes it singular in so many respects, not least of which in terms of sustainable development.

Sustainable development at Hermès is anchored in the enduring determination “to do well”, without sacrificing the House’s natural discretion. To paint a fuller picture of what sustainable development means to Hermès, it helps to put it into the perspective of some of the attributes of craftsmanship:

- ◆ responsibility: handmade 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 remains throughout the product’s future life, and each artisan 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 ferments of the Company’s approach to sustainable development. It is an internal requisite, in a context where 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 cheating with unfitting material; they are transparent, 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, Hermès artisans – and by infusion all those who work for the House – have an authentic 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 taught 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.

This is how sustainable development echoes the House’s founding values. It is consistent with our long-term vision, the importance we attach to men and women, and our culture of excellence and expertise, as well as respect for nature – the source of the materials used to create Hermès objects. It is built on the transmission of our culture and the implementation of numerous initiatives, with a preference for a decentralised approach and local actions anchored in our métiers, our subsidiaries and the 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

For 10 years, 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 met six times in 2016, 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, oversees the operations for the Group and its subsidiaries, both in France and internationally. It ensures the take-up of the strategy, 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 2016, it hosted ten in-house seminars in France and internationally. It ensures the cohesion of the entire system, manages internal communications and helps share good 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 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 five times in 2016.

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 specific "**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, all French sites and subsidiaries organise operations with their employees during the European Sustainable Development Week. Hermès of Paris, the American subsidiary, has run a Sustainable Development Week every autumn since 2013. This year, the event included an internal competition on the theme of creative recycling.

In 2016, members of the Japan, Korea, China, Taiwan, Singapore and Hong Kong sustainable development committees met for the third consecutive year to share their operational practices and jointly create an eco-actions charter for stores.

2.1.3 TOOLS

Over the last 10 years, the Group has developed a number of tools to help implement roadmaps validated by the Executive Committee. Committee work and operational decentralisation are facilitated by the dissemination of these tools, all of which have been constructed in a participatory approach so as to facilitate their adoption.

The House's ethics are enshrined in a forty-page Ethics Charter distributed to all teams, in 10 languages. 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. It is structured around the following points:

- ◆ Hermès' relations with its employees, suppliers and customers;
- ◆ Hermès' relations with society and the natural, social, economic and cultural environment;
- ◆ uncompromising principles of Hermès objects;
- ◆ relations between Hermès and its shareholders.

As described in chapter 2.3.7, Hermès adheres to all major principles and international agreements on human rights.

A code of business conduct, also available in 10 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. It addresses, among others, the following issues:

- ◆ extra-professional activities;
- ◆ acceptable perks and gifts;
- ◆ money-laundering, corruption;
- ◆ confidentiality;
- ◆ conflicts of interest, insider trading;
- ◆ workplace bullying;
- ◆ use of Group resources.

The "All artisans of our sustainable development" **strategic framework** was distributed to all Management Committees in 2015 and serves as a basis for the work of each one. It is built on six pillars:

- ◆ Hermès oversees the development and transmission of its artisans' savoir-faire (**know-how**), and more widely that of our staff which form the foundation of our approach to sustainable development;
- ◆ the satisfaction and professional fulfilment of **employees**, together with their diversity, are a driver of sustainable growth, and as such a matter for special attention;
- ◆ the durability of our business depends primarily on the future availability of the high quality **materials** that are key to the Hermès's unique character. Hermès protects and respects the exceptional natural resources that are used to produce its objects;
- ◆ Hermès is constantly seeking long-term and ambitious but pragmatic solutions to better preserve the **environment**;
- ◆ the Group's ability to grow is linked to the development and sustainability of its **suppliers and partners**, which are leading players in the field of high quality products and services, but also in social and environmental endeavours;
- ◆ finally, Hermès ensures dialogue and the development of harmonious relations with its **stakeholders** and plays a role as a responsible company wherever it operates.

This document was prepared in a participatory approach, focusing on the most significant issues in terms of the values of the House, the Company's sustainability, and its responsibility towards its social, ecological and societal environments. On each issue, it indicates priority topics and proposes three-year ambitions. Each business line and each subsidiary is called on to draw up a roadmap on the basis of the six overriding pillars; the Sustainable Development Committee reviews the various roadmaps annually.

Teams also have access to other tools, including:

- ◆ "Ambitions", an operational sustainable development blue print which provides a shared language and serves as a support for the actions of the operational teams. It helps 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 reference frameworks, whether in terms of real estate, supplier relations, guidance on applying the ethics charter in specific contexts, or on eco-actions, for instance;
- ◆ a dedicated intranet (“Harmonie Hermès”), designed to inform employees and share best practices. It also houses all documents useful for local teams.

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 «1.6 Property» (see chapter 1). Hermès operates 50 production sites (38 in France), spread over 44 geographical locations, including 32 in France, three in Switzerland, two in the United States, four in Australia, one in the United Kingdom and two in Italy, plus the Bobigny logistics platform. Hermès goods are available worldwide through a network of 307 exclusive stores. The Group occupies 26,000 m² 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. In 2016, for instance, the Silk division organised a work seminar with its Management Committee to update its strategic roadmap. The Hermès Leather Goods and Saddlery division updated its 2015 strategic plan, presented to the Sustainable Development Committee. The updated plan boasts very ambitious environmental targets. In the tanneries, a sustainable development roadmap has been drawn up for the 2016-2018 period in collaboration with the members of the Management Committee. It was presented on all the sites over the year to allow them to appropriate it and implement their own action plan.

Regular events such as Sustainable Development Week in France provide an opportunity for exchanges with team members on the challenges represented by the various issues, as well as the Group’s strategy and achievements. This helps provide an opening to the outside world. In 2016, the sites in Paris and Bobigny organised one event daily, ran-

ging from the distribution of fruit and vegetable baskets to meetings with beekeepers, clothing drives, wellness workshops and awareness raising on eco-driving. A private screening of the film *Demain* (“Tomorrow”) provided a platform for discussing concrete and exciting projects with more than 350 employees.

At the Leather Goods and Saddlery division, each site held a specific event during Sustainable Development Week in 2016: clothing drives, health and wellness workshops, awareness raising on sustainable agriculture and meetings with local farmers, workshops on individual recycling and sorting, and maintenance of beehives on four of our sites. The Annonay and Montereau tanneries participated. The Annonay tannery took advantage of the event to harvest and distribute honey from the hives located on the tannery grounds to its employees. The Montereau tannery has introduced community vegetable gardens maintained by employees.

In the Silk division, employees designed various awareness-raising workshops: carpooling challenge, challenge with Le Relais for the collection of textiles, communications on eco-actions, book donations for children.

Several workshops were proposed in the Hermès’ Perfumes division: urban beekeeping (introduction to bees, beekeeping and the challenges of pollination, as well as a honey tasting), urban agro-ecology (the principles of agro-ecology and learning how to create one’s own vegetable garden), promoting biodiversity (presentation of the various habitats required to preserve biodiversity).

CATE treated the production unit’s 150 employees to an organic breakfast featuring local products, and also organised several events. As the unit is located in the heart of the Périgord Limousin Regional Nature Park, park representatives presented their actions and raised the awareness of artisans on the conservation of a protected local species, the pearl mussel. A beekeeper explained the life of bees to artisans with an educational hive housing a queen and a few thousand bees. Lastly, a used clothing drive was organised for the Le Relais network.

During the week, Les Cristalleries de Saint-Louis site organised a talk by the mediator of the Parc Naturel des Vosges du Nord as part of the “Just dive in!” programme. These exchanges between the general public and the employees of the production unit provided an opportunity to discuss the site’s water-conservation context and the installation of phytotreatment basins recently renovated by the production unit.

2.2 SAVOIR-FAIRE

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

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 expertise 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 and the environment.

Twelve of the group's companies are certified by "Entreprises du Patrimoine Vivant" in 2016: Hermès Sellier, La Ganterie de Saint Junien, Holding Textile Hermès, les Établissements Marcel Gandit, Ateliers A.S., Siegl, les Ateliers de Tissage de Bussières et de Challes, Beyrand, Les Cristalleries de Saint-Louis, Puiforcat, John Lobb and Les Tanneries du Puy.

In 2016, two of the House's artisans (textiles, silversmithing) were among 12 professionals selected by the Colbert committee and named Chevalier dans l'ordre des Arts et des Lettres.

This accolade is awarded by the French Ministry of Culture for excellence in artistic and artisanal creations (rare textiles expertise in the field of thread crossing and the gripping technique in silversmithing).

2.2.1 TRAINING

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

In France, 109,476 hours of training were provided in 2016. This number does not reflect the entire training effort, since it does not include "on-the-job" training directly at the workspace.

2.2.1.1 Université Ex-Libris

In 2016, the group's Ex-Libris University trained nearly 1,000 people through its 20 personalised training programs. These programs concentrate on two essential issues: sharing culture and developing leadership.

Almost 600 people attended in-house training programs in Paris on 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. Continuing support is provided via participatory strategies implemented at the production facilities.

In 2016, almost 200 managers attended one of the Hermès leadership development programmes offered by the Group's University.

The "Alchimie" programme was designed and delivered to over 160 managers to share with them our recruitment vision and priorities, helping to develop shared understanding and practices, and enabling managers to better understand their role in recruitment and make their recruitment practices more professional at each stage, in a context where talent identification is of vital importance.

2.2.1.2 The Leather School

Initial training programmes for artisans were delivered across all sites. Degree programmes were pursued. 59 artisans received the saddler and leatherworker *Selliers Maroquiniers d'Art* diploma, 68 were awarded a CAP vocational qualification and 10 were awarded vocational cutter certifications. Many partnerships have been entered into with vocational secondary schools all over France, to provide training leading to qualifications to new employees. In 2016, special attention was paid to the 35 in-house trainers (10 of whom are new) and 23 tutors; they received regular support, in the form of meetings to share their experiences, and to build new training programmes and training sessions on teaching skills, personal development and communication, etc.

In 2016, continuous training involved 980 people being trained on 12 programmes run by the Leather School. A partnership and active support for a "Leather Cutter" training programme was favourably received in France.

Identification and special monitoring led to 27 artisans participating in Hermès events worldwide in 2016.

2.2.1.3 The School of Tanneries

The Tanneries and Precious Leathers division has increased the exchange of technical knowledge between tanneries so that expertise can be widely circulated among tanneries artisans. Almost 200 employees successfully completed these new modules in 2016. The other modules of the School of Tanneries and the *Tanneur Mégissier* vocational qualifications were also developed further.

As part of the recruitment policy, the "Programme Jeunes Tanneurs" is being continued for the fifth year. Chemical engineering students in their final year are recruited to spend 4 x 6 months at four different tanneries

(in two different countries) learning about four different métiers. This pathway boosts managerial maturity and technical expertise.

2016 was also a time to remember, on each of the sites, the strategic importance of sharing and transferring expertise. Development and exchange programmes around expertise were implemented, along with a network of technical officers to complement segmental middle management. These six tanneries encompass a wide range of profiles of workshop heads from different generations, and with different temperaments and levels of expertise.

Finally, the Montereau tannery celebrated its 50th anniversary in 2016; twenty of those years were spent working with Hermès. It found an original way to mark the occasion, inviting 300 people, employees of other tanneries of the Hermès Cuirs Précieux division, to visit this specialist exotic hides tanning site. A pleasant day for colleagues within the same division to get to know one another better, united by the craft of transforming raw hides into tanned leather.

2.2.1.4 The School of Textiles

For the textiles sector, initiatives to share the culture of the textile industry continued. The three-day “Au fil d’HTH” programme enabled 55 employees to discover Holding Textile Hermès, a federation of seven SMEs. The HTH Artès programme, an in-depth 12-day pathway, enabled managers with cross-segment responsibilities to learn about the segment. Finally the “Iconic Product” programme enabled 35 employees to familiarise themselves with iconic products, rooted in the creative heritage of Holding Textile Hermès. Finally, the “Résonances” programme aims to provide an artistic and cultural outlet to encourage inspiration and creativity in product innovation and development teams. 53 employees completed this programme. In the area of expertise, 87 employees were able to improve their expertise as regards textile knowledge, basics of dyeing, printing colours, etc. and the “Profession” pathway aiming to adapt craft skills (printer, stenter operator, assembler, etc.) was delivered to 26 people. A CQPI (inter-segment professional qualification certificate) has been introduced for the artisans.

In 2016, the School of Textiles delivered tailored programmes to over 260 people.

2.2.1.5 Puiforcat

Maintaining expertise involves internalising certain production methods and mobilising the team around the launch of new collections. Balanced with the transfer of applied knowledge about the classic items, it fully anchors silversmithing and jewellery in its era and thus prepares for the future. Two silversmiths were recruited this year to maintain the workshop’s expertise. They were mentored by the most experienced silversmith to improve their skills while ensuring their rapid incorporation into the everyday life of the workshop for operational production. A new collection (“Bureau d’architecte”) was partly entrusted to the workshop. Combining traditional expertise and new technologies, most of the pieces in this collection were produced in the workshop.

2.2.1.6 Cristallerie Saint-Louis

13 employees committed to a professional certification approach (CQPI), which will enable them to validate skills relevant to their vocational branch.

In addition, an in-house competition was held in the second half of 2016, giving artisans the opportunity to create a product to be included in the Saint-Louis catalogue of exceptional pieces.

In 2016, 15 employees received training from CATE on decorating porcelain - this has been taking place since the end of 2015 at the Saint-Louis-lès-Bitche site.

2.2.1.7 The distribution network

As regards quality, sales and service, over 1,200 sales associates followed the “Sales & Service Ambassador” training programme. 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 twenty 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.

2.2.2 ENSURING SHARING

2.2.2.1 New employees

In Paris, the new employee integration programme, “Mosaïque”, continued at an intense pace, with over 300 participants. It marks the arrival of new employees in a lasting way, enabling them to understand our culture through a series of presentations on our vision, history, métiers, craft and retail divisions, which include multiple examples of in-house dynamism. It creates lasting bonds between new employees.

In the distribution network, the “H Immersion” programme was delivered to all new entrants in each subsidiary. It aims to incorporate new employees by instilling in them essential knowledge from the very first day so that they can take up their role and be independent. In 2016, over 800 employees benefited from this programme in around twenty countries, delivered across 78 sessions. It enables many sales associates – taking on the role of trainer at these sessions – to help transfer their knowledge and experiences to their peers, helping to boost in-house knowledge.

2.2.2.2 Tandem

“Tandem” is a one-week mutual exchange programme between an artisan and a sales associates, which continued to be rolled out at the same pace. In 2016, 27 artisans spent a week at a Hermès store of their choice anywhere in the world, taking part in the day-to-day life of the store. Inversely, 27 sales associates spent a week as “apprentices” at one of the Hermès production units with an artisan who would share the secrets of their expertise. When two worlds come together, it is a matter of connecting two related worlds which share common objectives. Since it was launched in 2008, this networking programme will have forged links between employees over 2 million kilometres apart, all over the world.

2.2.2.3 Parcours d’Adresse

“Parcours d’Adresse” was implemented in 2011, and is a one-week learning journey enabling discovery of a complete segment, from raw materials to the finished product. Seven themes are possible within the leather goods, watches, perfumes, crystal, porcelain, silk and ready-to-wear métiers. In 2016, 86 artisans engaged with this programme.

2.2.3 RECRUITMENT AND MOBILITY

Since 2014, the www.hermesemployeur.com site has affirmed the identity of the House, showcasing the diversity and richness of its activities. As in 2015, the site received over one million visitors in 2016. With over 180,000 candidates registered, it has become a major recruitment channel for the subsidiaries. Available in two languages, the site is viewed in other countries just as frequently as it is viewed in France.

In 2016, constant work on LinkedIn resulted in the House being ranked “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 150,000 “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.

Internal mobility is one of the Group’s strong points. It is mainly promoted *via* the *My way in Hermès* platform, which displays open vacancies, and *via* the coordinated work of the human resources departments who attend monthly Internal Mobility Committee meetings. In 2016, 422 vacancies were advertised on this platform and 80 vacancies were filled internally. Hermès proves its dedication to this mechanism for developing men and women *via* a range of initiatives.

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

In 2016, the biennial talent review took place under the supervision of the Group human resources department. This process involves all Human Resources Directors sharing the performance of and progress made by all employees with Management Committee members of their subsidiary. At Group scale, all information is fed back to enable close monitoring of around 300 high-potential employees. These employees are offered in-house training programmes combined with external training programmes. Additionally, they may be entrusted with a special mission; “exposure” to a specific project for six months. This is an opportunity to boost their skills, demonstrate their potential and excel within a teamworking environment. Internal mobility remains the main way of developing talent.

This mobility is also managed within the manufacturing or retail divisions. For example, in the textiles segment, the ACE programme has promoted the dynamic management of internal mobility (with tools such as a film specific to the segment, a managers’ guide, etc.) significantly increasing the number of employees promoted internally over the last three years.

2.3 PEOPLE

People have been the focus of the Hermès creative, artisanal and merchand projects since 1837. United by shared values of quality, ethics and solidarity, it is our people that drive our growth. The aim of people management is to create the conditions conducive to maximising their efficiency and accomplishment. Managing our employees is taken seriously and focuses on both social and economic success, supported by human resources teams.

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.

The emphasis placed on a positive working environment across all work locations, and the investments made in learning and in improving skills enable each employee to give their best and play their part in the shared Hermès adventure.

The Group's human resources department issues guidelines to the subsidiaries on how to go about their work while respecting local issues and cultures.

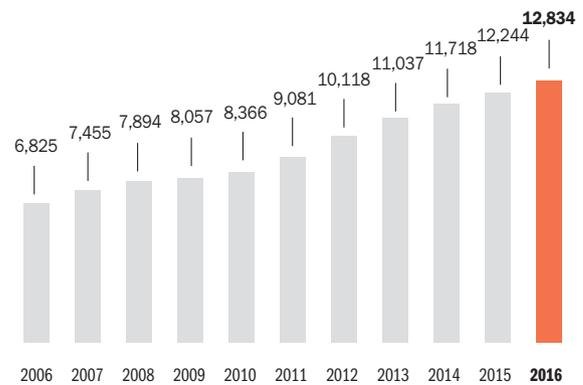
Developing men and women (the latter represents 67% of the workforce) is at the heart of the Hermès long-term strategy. This development can only take place in an environment which enables each person to find their place, make a commitment, realise their full potential and grow as they take on new assignments and roles. The quality of management – in every position within the organisation – has a strong direct influence on the Company's success, and requires fully committed teams. Management is therefore responsible for creating and reinventing this environment. Each manager, through their daily actions and the quality of their leadership, is responsible for bringing out quality and enabling employees to develop. Enlightened leadership is not something that can be improvised. Management is a demanding job, which is learned and cultivated over a whole lifetime, through confrontation, experimentation and by forging links with other managers. That is why Hermès wants to cultivate and circulate its leadership vision more widely, in line with its strategy, values and ethics.

2.3.1 FIGURES

2.3.1.1 Workforce

GROUP WORKFORCE

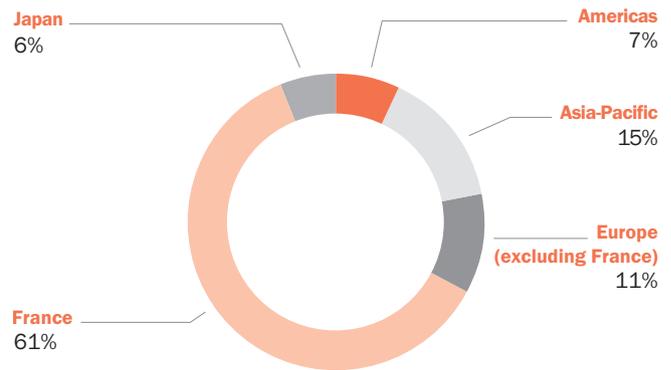
The workforce within the Hermès Group includes active permanent staff members and people on fixed-term contracts of more than nine months, including apprenticeship contracts. The permanent active staff represents 96% of the Group workforce. Increasing by roughly 88% over the last ten years, the Group workforce was equal to 12,834 people as at 31 December 2016.



WORKFORCE BY GEOGRAPHICAL AREA

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

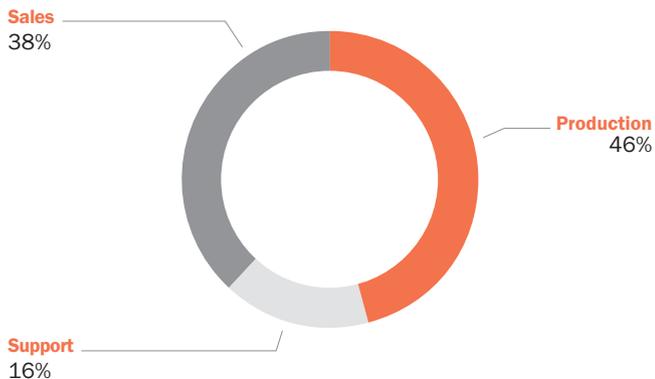
However, this rise is most marked in France due to the development of the various production sites which have opened in previous years, but also as a result of the new Maroquinerie de Normandie in 2016.



Geographical area	2015	2016	% growth	Distribution of additional jobs
Americas	832	871	5%	7%
Asia-Pacific	1,897	1,980	4%	14%
Europe (excluding France)	1,308	1,351	3%	7%
France	7,461	7,881	6%	71%
Japan	746	751	1%	1%
GRAND TOTAL	12,244	12,834	5%	100%

WORKFORCE BY SECTOR

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



Sales staff include:

- ◆ all people in direct contact with clients 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.

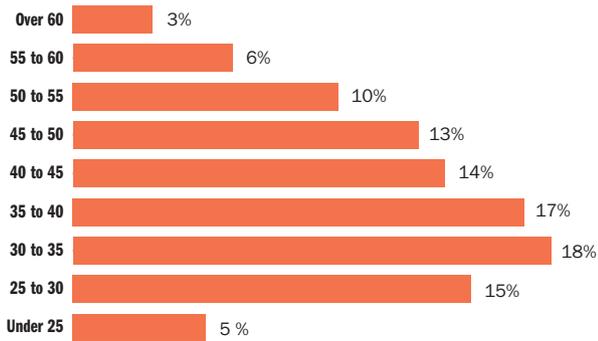
Support staff include:

- ◆ all people who employ a specific skill or expertise 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.



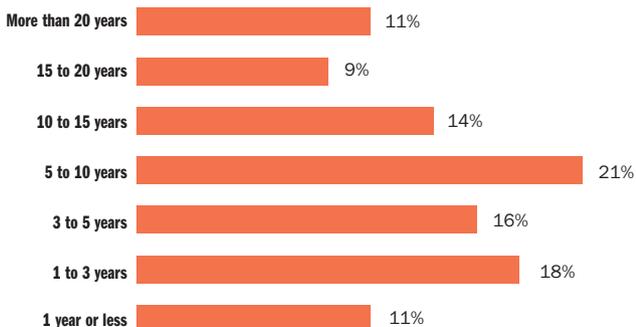
MEN/WOMEN DISTRIBUTION

The Group is largely made up of women (67%), 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 45% of the Group's total employees have been with the Group for less than five years. The Group encourages the development of skills and long careers. Nearly one third of the staff has been with the Group for more than ten years.



2.3.1.3 Employment

Given the Group's organic growth, 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 layoffs involved 94 people in 2016.

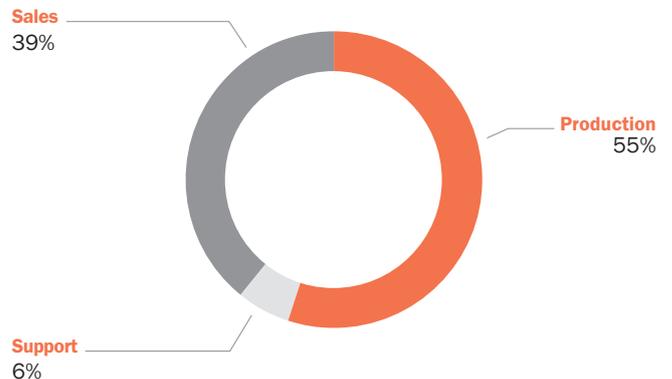
As part of its strategy to preserve and develop its supply sources, the Group opened a new leather workshop in Normandy in 2016.

New stores in Mexico, Rio de Janeiro and at Hong Kong international airport contributed to growth in employee numbers in 2016.

JOBS CREATED WITHIN THE GROUP

The Group created 590 jobs in 2016. As has been mentioned, the Production sector saw the most growth (with the creation of 326 additional jobs) in order to increase production capacity and to protect expertise and sources of supply.

DISTRIBUTION OF THE JOBS CREATION BY SECTOR



2.3.1.4 Compensation

COMPENSATION

<i>In millions of euros</i>	2014	2015	2016
Total payroll	518	579	609

The Group's payroll was €609 million in 2016 versus €579 million in 2015, to which one must also add €198 million of social security charges. In France, payroll includes distribution of €68.8 million in incentive schemes and profit-sharing, and €2.7 million in employee support activities.

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.

Compensation is determined primarily by employee qualifications. 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 equality between men and women 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 page 138 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 17.39% in 2016.

<i>In millions of euros</i>	2014	2015	2016
Employee support activities	2.2	2.3	2.7

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 associate 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 (39% of all Group employees in 2016) 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
2014	24.2	39.7	63.9
2015	25.9	40.2	66.1
2016	26.9 ¹	41.9 ²	68.8

(1) Including the ratification of new agreements.

(2) An incentive supplement was paid to all of the Group's French companies pursuant to the Group's participation agreement.

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:

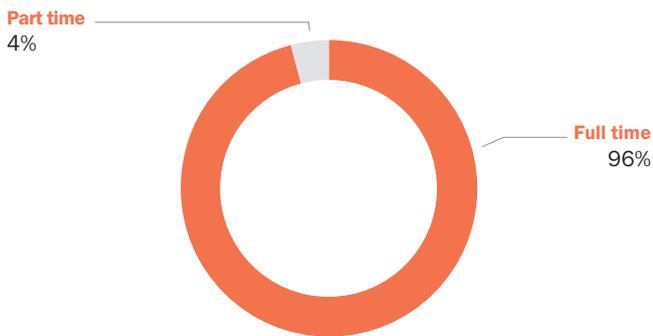
- ♦ to show the confidence of the House in the long-term commitment of its employees and unite them around the Group strategy;
- ♦ to acknowledge the contribution made by employees at all levels to the development of the House, by providing a single compensation component to share the benefits of our 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.

In 2016, 806,060 free shares were allocated to over 11,300 Group employees worldwide (subject to a condition of nine months' uninterrupted service on the allocation date). To promote employee loyalty over the medium- and long-term, and to boost collective performance, these plans are subject to a vesting period of four to five years, attendance conditions and, for some shares, performance conditions. Additional information on all employee shareholding plans in force within the Group can be found in the "Corporate Governance" chapter on page 140.

2.3.2 ORGANISATION OF WORKING TIME

Each entity manages its working times 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 3.6%. 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 to combat absenteeism. 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. This agreement was signed in 2008 by all of the representative trade unions. In France, more than 80 agreements and amendments (on both Group and Company levels) were signed in 2016, including a Group agreement regarding the payment of an additional contribution for FY 2015. Throughout the year, agreements have been signed on Sunday working, social dialogue, incentive schemes, 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 zone (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 has been approved by the Group Executive Committee.

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 that end, in 2016 the Group developed a diversity management and anti-discrimination training programme, which will be rolled out among local managers throughout 2017. Hermès is also affirming its dedication to helping vulnerable people, particularly the unemployed, by implementing social inclusion initiatives. With this in mind, in 2016 Hermès worked to implement a social inclusion clause in its calls for construction tenders.

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 wellbeing 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.

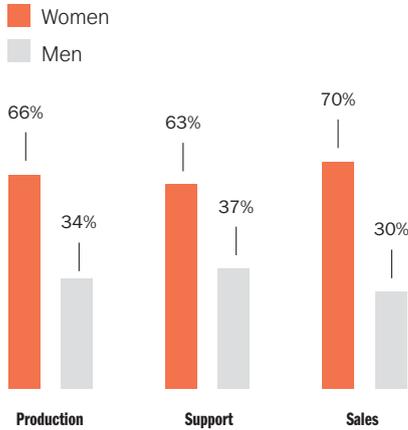
2.3.3.3 Equal opportunity

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.

Employee recruitment respects profile diversity wherever Hermès operates.

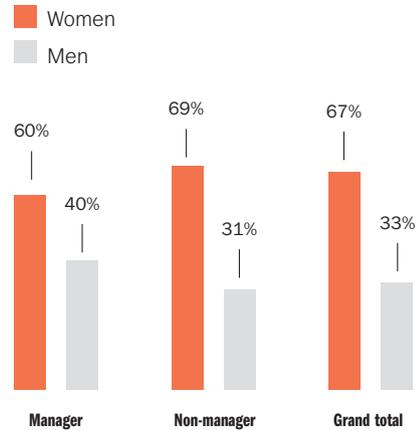
DISTRIBUTION OF MEN AND WOMEN BY SECTOR

The distribution of men and women indicates a majority of women, which is uniform across the sectors.



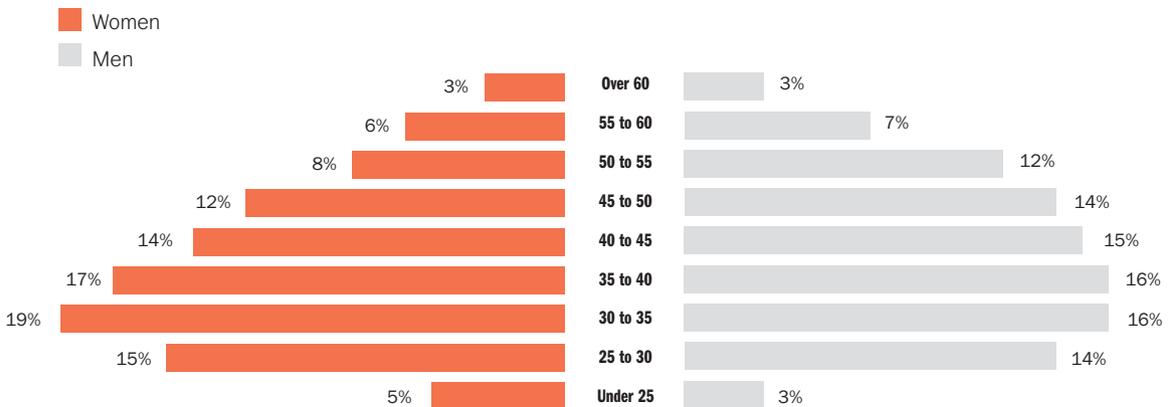
BREAKDOWN MEN/WOMEN BY CATEGORY (MANAGERS/NON-MANAGERS)

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



AGE PYRAMID FOR MEN AND WOMEN

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



2.3.3.4 Employment of disabled workers

In the second half of 2016, the Group conducted an expert diagnosis within all of its companies in France in partnership with the Agefiph.

This major diagnosis was an opportunity for over 20% of employees in France to give their perception of disability. Employees with disabilities were asked to complete a specific questionnaire to gather their views, expectations and suggestions. Over 50% responded. Finally, qualitative interviews attended by occupational health employees and employee representatives completed this initiative.

The summary shows an employment rate in France of 3.80% in 2016 (excluding "reduction"). This rate includes the direct, full-time equivalent employment of 288 people with disabilities.

This diagnosis identified many areas for improvement, which will form the pillars of the draft agreement. 2017 will be spent negotiating a three-year agreement with the trade union coordinators and implementing a disabilities taskforce and officers to integrate people with disabilities and keep them in employment. This policy complements the many local initiatives and strategies already being applied in the various divisions, such as the close, lasting partnerships developed with the assisted sector. (See the Suppliers chapter in this report).

Within the Leather Goods and Silk divisions, which are the main employers in France, the 2016 employment rate was slightly above 5%. At Saint-Louis in 2016, the production unit even exceeded the regulatory threshold of 6% of disabled workers, both within its manufacturing process and in support functions or via subcontracting (maintenance of green spaces, components assembly crystal/metal).

2.3.4 HEALTH AND SAFETY

2.3.4.1 Organisation

Risk prevention, protecting employees, and safety are the House's main priorities. All necessary human and material resources are assigned to meet these objectives. A network of health, safety and environment (HSE) officers is managed centrally by the industrial affairs department, and deployed across the various divisions. The HSE policy is implemented at the sector level.

Leather Goods

The senior management of the Leather Goods craftsmanship division 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 evaluate to what degree the production units have adopted a strong health and safety culture. Within the Craftsmanship division, a HSE manager is appointed in each production unit to monitor the improvement plans defined with their management according to the Group's HSE policy. The HSE manager deals with everyday hygiene, safety and health matters, working closely with the maintenance and occupational health departments. They take part in quarterly meetings organised by the central HSE coordination to evaluate the progress of ongoing projects, identify lessons learned and define new areas for improvement. 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. Resources are allocated to each establishment enabling employees to work safely, perform their duties over the long term, and act daily for the environment.

Tanneries and Precious Leathers

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.

Crystal

In 2016, the HSE subjects for the cristallerie Saint-Louis were coordinated by a safety facilitator, an environmental engineer and technical, Hygiene, Safety and Environment managers. A budget of €0.5 million has been invested in various projects to improve the production unit's performance in terms of hygiene, ergonomics, safety, working conditions and the environment

Tableware

At the CATE, in 2016, at the instigation of the Site Director and with the support of an HSE manager, a HSE policy and a structured risk prevention programme were defined and implemented to protect health and ensure the safety of both employees and people from outside the Company. This approach was supported by management and an investment budget of €0.27 million.

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

At Beyrand, a QHSE (Quality, Health, Safety and Environment) manager monitors compliance with legislation and standards, and monitors waste, energy consumption and works. This manager works in partnership with the maintenance and purchasing departments, under the authority of the Executive Vice President of the Company. An apprentice from ESSEL joined the Company in 2016 to improve workstations by drawing up job descriptions.

John Lobb

John Lobb continued its commitment on this matter with weekly in-house HSE audits and quarterly audits by an outside Company. A first aid team was set up and a Works Council has been in place since 2015.

Distribution

In France, the launch of in-store health and safety audits in 2013 brought a new dynamic to the inclusion of workplace hygiene, health and safety issues in the retail activities in France. A Health, Safety and Security action plan was implemented in partnership with the technical departments (who operate in the stores), human resources and internal control. The aim of this action plan was to comply with regulations and gradually introduce a Health, Safety and Security (HSS) culture in the stores. The action plan was launched in 2014 for three years. Some initiatives will continue into 2017.

The action plan is deployed across six main themes (Knowledge/regulation fundamentals, labour code & ERP; commitments, responsibilities and organisation; risk awareness; site facilities/surveillance/video-surveillance; training/information and communication, incidents/accidents). Several topics were dealt with simultaneously to improve organisation. For example, introducing safety personnel in stores, whose role and mission is the operational implementation of HSS obligations within their store. Safety personnel are coordinated centrally by the security department with the involvement of internal control. Safety personnel are involved operationally in annually updating workplace risk assessments and feed back the actions implemented and new actions identified via this evaluation. In addition to the annual evaluation, regular information and communication takes place in the form of safety “news-flashes” or memos.

In Japan, a questionnaire on stress at work was introduced in May, which helped the Company and the employees to better evaluate their stress levels. They were able to take steps to improve their working method and working environment, which are the main sources of stress.

In Southeast Asia, various employee awareness-raising initiatives have been implemented, including a campaign on nutrition, particularly snacking in Singapore, Guam and Saipan. Organic packed lunches were handed out to sales teams to raise awareness of a balanced diet. Workshops with a trainer and a nutritionist were held during sales associates’ lunch breaks to raise awareness of eating habits.

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

The modules have been designed to circulate workplace health matters within the workshops. At the end of 2016, all employees in the craftsmanship division took part in an interactive training day on awareness of the body and its role, “Un corps pour la vie” (“A body for life”). This fun health awareness module was delivered to artisans at the production units and employees in administrative roles. It is the first step of a commitment to healthy living every day.

Leather goods production units also organise events run by the hand injury prevention network to prevent risks linked to craftsmanship and to respond appropriately in the event of an accident. These conferences led by professionals raise awareness.

Finally, individual support from physiotherapists is offered to artisans experiencing pain or discomfort which hinders them in their work. This

monitoring takes place within the Company via a training module which encourages awareness of responsibilities and independence in managing physical difficulties.

Tanneries

In the context of the hardship prevention strategy¹, the tanneries in France have stated that their employees are exposed to risk factors. The Cuneo tannery in Italy continued to improve evaluation of employee exposure to repetitive tasks in collaboration with the occupational health doctor. To improve ergonomics at the workstations, the tanneries of Annonay and Vivoin signed up to the “TMS Pros” (Repetitive Strain Injuries (RSI)) initiative in partnership with the 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.

Perfumes

The RSI prevention training module delivered to the leather goods sector has been adapted for Perfumes. One hundred people had already received training in 2016.

Textiles

The textiles segment implemented projects at several levels. A complete multidisciplinary health committee approach (occupational health doctor, nurse, occupational psychologist, social worker) enables proactive monitoring of employees and helps to maintain employment. Occupational psychologist drop-ins were extended to the ITH site, and awareness-raising conferences on nutrition, sleep and healthy living were held, particularly for employees on night shifts.

Crystal

Three topics were covered in detail in 2016: working in alternating teams, poor posture, and dangerous chemical agents.

Employees concerned by these factors did not accumulate them. An action plan to reduce hardship, particularly at these workstations, is being implemented.

Many initiatives to improve working conditions were implemented in 2016 in order:

- ◆ to reduce risk levels (introduction of uniforms in the Porcelain division, installing air quality treatment in the Decoration division, use of goggles for “hot glass” artisans, protection from projections on the blowpipe heaters, etc.);

1. Laws of 20 January 2014 and 17 August 2015 as well as the implementing decrees and ministerial decisions of 2014 and 2015.

- ◆ to improve the ergonomics of some operations (awareness-raising about warm-up and recovery exercises for “hot glass” teams, improving the safety of storage spaces, notably their height, replacing noisy, hot furnace outlets with more efficient models, installing a second automatic “helper” for large pieces of “hot glass”, etc.).

Tableware

At *the CATE*, one of the main themes of the 2016 programme was chemical risk prevention with a complete inventory of chemical products at the production unit, an evaluation of the risks and the implementation of adapted chemical PPE (personal protection equipment) such as safety goggles when spraying enamel. Artisans exposed to chemical products attended tailored training with an outside body over the year.

At *Beyrand*, the main initiatives related to the production of job descriptions and manager and artisan training, an ergonomics study on silk-screen printing workstations (mock-up and trial of a “sample” workstation), selection and testing of new personal protection equipment. The aim was to combine usage comfort and employee safety.

At *Puiforcat*, the focus continued to be on preventing accidents in the workshop. In addition to circulating risk information sheets, systematic work took place in the second half of the year on the PPE used for polishing and planing.

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.

John Lobb

Training was reinforced in 2016 on fire safety, stress management and an annual initiation and refresher programme was implemented.

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.

With the aim of boosting the skills and knowledge of the safety personnel in stores, personnel training (administrative managers) took place, which was repeated for store managers.

Finally, in 2016, the security management of outside companies working in the stores was examined. Analysing and managing interference risks was a priority for the year.

2.3.4.3 Workplace accidents

The diversity of the Group’s activities (as it is both a manufacturing and trading company), 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 France in 2016, where the manufacturing workforce accounts for 70% of employees, the frequency rate of workplace accidents with stoppage was 14.9 and the severity rate was 0.63 against 16.8 and 0.78, respectively, the previous year. This calculation is based on total real hours worked.

Leather Goods

Within the Leather and Saddlery Division, which employs 63% of the manufacturing workforce in France, the workplace accident frequency rate fell between 2015 and 2016. It has halved since 2012. The accident severity rate with stoppage fell compared with 2015.

Each work-related accident is the subject of an investigation, with analysis of the causes. In the event of an accident, the affected production unit must send an accident report to the whole craftsmanship division and request observations or advice from the other units. This led to the implementation of a system for sharing experience and best practices, used by the services charged with health and safety at work to exchange their opinions and examine common solutions to cope with identified risks.

Perfumes

The frequency rate of workplace accidents of the CNP (Comptoir Nouveau de la Parfumerie) fell between 2015 and 2016. It remains far below the frequency rate for the chemical segment. The severity rate of workplace accidents has continued to fall over the last few years. Furthermore, there were no accidents on the way to or from work in 2016. Road safety training was provided to some employees who travel as part of their role.

2.3.5 WORKING ENVIRONMENT

The Group constantly monitor employees' working conditions. In 2016, the main improvements made were as follows:

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, which began in 2015, continued at the Vivoin, Montereau, Cuneo and Annonay sites. By way of example, the following actions took place:

- ◆ continuing work to make air extraction and renewal mechanisms compliant;
- ◆ improved machine safety;
- ◆ monthly safety communication and training campaigns on sites;
- ◆ improved safety on sites when renovating and designing buildings.

Textiles

The Silk division held round tables with 150 employee volunteers on "living well at work".

Perfumes

At Hermès Perfumes, investments and studies aimed at improving site safety, working conditions and employee wellbeing amounted to €0.27 million, particularly for site fire protection (improvements to sprinkler systems, generators for motor pumps, firefighter suction areas, fitting of smoke detectors), fitting of protective barriers, ground renovation, installation of a pergola on the terrace, renovating toilets and protecting employees from the risk of explosions (update to the ATEX diagnostic).

For the fourth year, a campaign to limit employee exposure was implemented in liaison with the chemical risk evaluation in place on the site.

Cristallerie Saint-Louis

The assessment of the Saint-Louis production unit's chemical risk, carried out in 2012, was updated in 2016. This update, taking into account the results of previous campaigns, has clarified the level of exposure to certain Homogeneous Exposure Groups (HEG). They have thus been subject to samples during the campaign, which took place during the month of December 2016. Actions also took place to reduce the exposure thresholds noted during these analyses (e.g.: replacing the "chemical etching" workstation). Other projects included replacing the borehole for acid effluents. A system to treat the fumes from the new tank furnace also captures the combined emissions from the crystal sampling points on the tank and pot furnaces. A system for treating ambient air quality was installed for the gold decoration workshop. The working area for the "chemical etching" workshop is currently connected to the workshop's air treatment system. A fire detection solution was consolidated in the finished products storeroom along with fire hydrants and suction areas. A new tank furnace was built, to replace the worn out "furnace", providing an opportunity to rethink the flows from the "hot glass" process and refit the corresponding workshop. A project team was set up incorporating artisans, which from the beginning enabled them to input ideas for their new workshop which they have been using since November.

Tableware

At the CATE, a reduction in the fire risk in the production unit was also a strong theme in the prevention strategy. The boiler and the supply of fuel oil in the basement of the building were replaced with an electrical installation, reducing the risks of fire, pollution and nuisance for the artisans when filling the tanks. Combustible building materials were protected with insulating materials to avoid ignition with a hot spot. Some employees received training from an outside body on using fire extinguishers and two evacuation exercises were held over the year. Under the hardship action plan, the last decoration workstations have been replaced with more ergonomic models. In the same way, "brush" workstations have all been changed for more ergonomic models, convertible for left- and right-handers, height adjustable and luminosity.

At *Beyrand*, a study is underway to replace cleaning solvents. Harmful conditions in the workshops are being assessed: noise, harmful postures, load carrying, and chemical risks to implement the best solutions to remove these risks.

At *Puiforcat*, the CHSCT continues to be involved in improving working conditions, and this year is renewing the carpet in the workshop. Its opinion was also sought when updating the single document.

A new collapsible ladder has been installed to access the air compressors. The dust bags from the polishing suction cabinets are now changed by a company which uses a mobile scaffold, to limit the risks of falling from a height.

Major changes have been made to the organisation of the logistics area for shipments and deliveries by its team made up of working groups.

2.3.6 INTERNAL COMMUNICATION

The Toile H intranet site, updated weekly, keeps staff informed about new employees, internal appointments, communication events, new products, life on the production sites, organisational changes, 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, “Harmonie Hermès” 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

Around 2,200 employees met in Paris in spring, at an information meeting at which the achievements of the previous year were presented to a large number of the House's employees. This was a time to celebrate success, agree on priorities and strengthen the links between the many Hermès métiers and operations.

200 executives representing all subsidiaries and generations were invited to an event in Hamburg, a city which symbolises modernity and the avant-garde. The event had an inter-generational theme, and participants shared their ideas and preferences for working together.

An event was held in Pantin, in December, to mark the work anniversaries of 65 employees, with 25-55 years of service. The House showed its warm gratitude to them.

2.3.7 PROMOTION AND COMPLIANCE WITH FUNDAMENTAL CONVENTIONS REGARDING HUMAN RIGHTS

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 ¹, the principles of which are grouped according to the following themes: freedom of association, forced work, child labour, discrimination;
- ◆ the guiding principles of the OECD ²;
- ◆ the OECD convention on combating the corruption of foreign public officials.

It is self-evident that the Hermès Group and its employees strive to comply with the applicable laws and regulations in all countries in which they are active.

These principles are clearly set out in the Group's ethics charter, which has been released in 10 languages, available on the Group Intranet and published since 2009 in more than 27,000 copies (including one for each newcomer).

1. *The International Labour Organization is the UN agency that brings together the governments, employers and workers of its Member States, in a common effort to promote decent work throughout the world.*
2. *The OECD (Organisation for Economic Cooperation and Development) brings together the governments of 35 countries in support of the principles of democracy and the market economy, for the purposes of:*
 - ◆ *supporting sustainable economic growth;*
 - ◆ *developing employment;*
 - ◆ *raising living standards;*
 - ◆ *maintaining financial stability;*
 - ◆ *helping other countries to develop their economies;*
 - ◆ *contributing to the growth of worldwide trade.*

2.4 RAW MATERIALS AND SUPPLIERS

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.

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 materials.

Growth also linked to the development of suppliers, whose superior expertise and future successes will contribute to those of the Group. The majority of production is integrated in-house, in line with Hermès' strategy that focuses on preserving unique know-how and securing supplies. 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.

For the Group, awareness of its corporate social responsibility also means turning to "socially supported organisation" in France for its direct and indirect purchases (see the chapter on handicap in section entitled "People, Social Responsibility").

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 and share our social, environmental and ethical responsibilities.

2.4.1 KNOWING OUR SUPPLY CHAINS, COMPLYING WITH REGULATIONS

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

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

Leather Goods

Leather is an animal product, specially tanned and preserved, either using alum tanning (for lamb, sheep, and goatskin) or 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 crocodile, alligator, lizard, and ostrich (essentially raised for its meat and feathers).

Unprocessed 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 programs to improve the quality of the industry working together with farmers, their cooperatives and their professional associations.

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 US Fish and Wildlife, the federal nature protection agency. These husbandry practices have also contributed to saving the species in the United States by repopulating alliga-

tors into their natural habitat. In addition to strictly complying with the Washington Convention, Hermès launched a study in collaboration with an external partner to evaluate the social and environmental footprint of the supply line for alligator skins in the United States, with conclusions expected in 2017.

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. In addition to traditional agricultural activity in the State of Paraná (one example is coffee), the cultivation of mulberry trees (whose leaves are used to feed the silkworms) has enabled this supply chain to be sustainably introduced thanks to Japanese know-how.

There is a dedicated annual budget to develop the knowledge, techniques and sustainability of the businesses and supply chains of these partners. There are also programs to improve the quality of the products they manufacture.

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 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.

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.

The efforts made by petit h and our artistic directors, who create exceptional products or limited-run collections, contribute to the trend to use every part of the skins that tanners make available to us.

Silk and Textiles

Once the raw materials have been provided (essentially silk and cashmere), this division takes over all processing tasks: weaving, printing, finishing and tailoring. 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.

Tanneries and Precious Leathers

In a tannery, the best way to make optimal use of materials is to improve the quality of the unprocessed hides. 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, or independent laboratories.

Cristallerie Saint-Louis

Refurbishing the tank furnace, one of the big projects at cristallerie Saint-Louis in 2016, was an opportunity to optimise our main melting tool for manufacturing, and it launched operations in November. The technology chosen will enable a reduction in the consumption of raw materials of approximately 20%.

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. This is how an idea was born to create prototypes for developing enamel using components that were rejected during the production phase.

Footwear

A new line of shoes that incorporates a method to optimise the amount of leather used was developed for the 2017 season. The leather used is now selected depending on its intended purpose. In this way, the stays, a part of the structure that is completely invisible because they are located between the lining and the upper, is now created with pieces specifically selected for that purpose. This work is making it possible to reduce waste.

Construction

In partnership with suppliers and consultants, systematic efforts are made to give preference to locally sourced materials whenever possible. For several years, a deep analysis has been done 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 use of brass is banned and replaced by aluminium, in order to reduce the weight of furniture and simplify recycling;
- ◆ pure wool carpets are laid using a plant-based adhesive, so that they can be recycled when replaced;
- ◆ the type of wood used for the floors in stores is selected from locally available species.

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, leather, and textiles. As part of its strong commitment in these areas, the Leather Goods and Saddlery division (17 production sites in France) has, for instance, been using a recycling program for all leather offcuts for several years.

Tanneries

Making better use of leather waste from the tanneries is done on the one hand by improving the quality of the unprocessed hides and on the other hand by seeking new product lines to use the waste leather that is the product of the shaving and sampling of hides. Tanneries are active participants in the think tanks that we bring together at Hermès to discuss leather waste, and in the work done by the Centre Technique du Cuir (CTC).

The increase in the amounts of hazardous and non-hazardous waste produced (+49% and +94% respectively) results from the increase in

scope after the Puy Tannery was included. It contributes approximately 40% of the waste produced in the division.

The production of hazardous and non-hazardous waste on one hand from the exotic leather tanneries, and on the other hand from the tannery in Annonay, appears relatively constant from year to year. The waste produced was disposed of in its entirety through authorized processing companies.

On-site waste storage is optimised to avoid any pollution (covered storage areas, retention mechanisms, etc.) and, thanks to the 5S method, employees receive regular support and training around proper sorting of waste and designing work areas.

In tonnes	2012	2013 ¹	2014	2015	2016 ²
Non-hazardous waste	781	1,876	2,247	2,113	4,103
Hazardous waste	159	1,022	1,230	2,065	3,070
including recycled waste	140	1,070	957	1,285	2,901
including reused waste	85	267	225	161	150

(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.

N.B.: The USA and Australia divisions are excluded from reporting.

Crystal

Reducing waste is a challenge with ecological and financial aspects, whose implementation receives a great deal of support and attention. The technology chosen for the new tank furnace will make it possible to recycle a much greater percentage of cullet than was achieved with the previous technology, enabling a reduction in the consumption of raw materials, transportation of waste, and consumption of energy required for the functioning of the melting device.

In tonnes	2011	2012	2013	2014	2015	2016
OIW waste ¹	85	92	92	81	80	135
SIW ² +HIW ³ waste	1,030	1,032	1,180	1,586	1,163	1,128
Including reused + recycled waste	828	807	860	947	652	953

1. OIW: Ordinary Industrial Waste

2. SIW: Special Industrial Waste

3. HIW: Hazardous Industrial Waste

The significant increase in the volume of OIW¹ corresponds to the packaging and pallets disposed of while the tank furnace was being built. Measures to manage OIW¹ implemented in 2015 enabled a significant portion of this waste to be recycled.

The volume of HIW³/SIW² waste is stable compared to 2015, but remains high. In 2015, this waste was from the dismantling of the pot

furnace, whereas in 2016 it comes mostly from the unsuitable cullet that was not recycled during the last months of the life of the tank furnace. However, the annual average amount of recycled cullet remains constant compared with the previous year, or even a little higher, especially after the initiative to optimise the operation of the melting tools.

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 2016, the Group improved the way its divisions are organised.

In tonnes	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
OIW waste ¹	544	685	684	670	640	633	638	670	584	496	433	588
HIW waste ³	15	18	15	21	29	37	42	49	69	72	80	65
Level of activity			100	108	109	110	118	126	138	147	162	175

The entire craftsmanship division produced a total of 588 t of OIW¹ waste in 2016. This is an increase of 36% compared with 2015.

There are several reasons for this significant increase:

- ♦ the start of manufacturing at Héricourt with a canteen;
- ♦ the start of Saint-Junien's short-term workshop;
- ♦ recycling of soiled solid waste into OIW at Manufacture de Haute Maroquinerie;

- ♦ a one-off waste sorting drive at Pierre-Bénite;
- ♦ specific items removed at the facilities in Pantin.

HIW³ waste produced in 2016 amounted to 65 t. This is a decrease of 18%, mainly attributable to some soiled waste that was transformed into OIW¹ and to the removal of degreasing fountains.

Each type of waste is directed to a specially devised treatment or sorting chain.

Textiles

The division is working with a number of different service providers to recycle a portion of the textile waste and offcuts from production.

In tonnes	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
OIW waste ¹	469	306	239	345	346	448	457	507	536	505
HIW waste ³	334	387	409	488	522	546	696	973	643	639

Since 2015, the division has been using just one provider for waste management for all of the sites, who focuses on sorting and recycling.

Perfumes

Processed alcohol products, cosmetic products, PLV (Publicité Sur Lieu de Vente, on-site advertising) and articles used in processing that end up being discarded are recycled through a specialised partner. On average, after preparation and sorting, 63% of these materials are recycled and 37% are used in energy recovery.

In tonnes	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
OIW waste ¹	46	59	79	114	140		199	278	256	251
HIW waste ³							627	585	543	602

The volume of waste has increased by about 6% compared to 2015, which is partly explained by higher volumes of perfumes that were manufactured and packaged.

In 2016, 60% of waste (OIW and HIW) was recycled and 33% was used in energy recovery. The recycling/re-use ratio therefore remains stable.

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

Watches

The staff are made aware of and trained to use the bins provided for each category of waste, ensuring compliance with best practices in this area. The service managers ensure that the sorting instructions are respected.

All aqueous products, solvents, adhesives or dyes are packaged in waterproof containers and disposed of by a professional chemical disposal network.

	2011	2012	2013	2014	2015	2016
Unrecycled OIW ¹ waste <i>in tonnes</i>	20	18.7	16.35	15	11	20
Recycled OIW ¹ waste <i>in cubic metres</i>	140	122	213	213	244	216
HIW ³ waste <i>in kilograms</i>	60	42	39	50	12,630	12,197

Porcelain and Enamel

This division is studying every opportunity for waste reduction. In 2016, the main active issues related to the manufacture of porcelain or enamel chromos, where the paper 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 for the best use of them.

CATE

<i>In tonnes</i>	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
OIW ¹ waste	90	91	75	65	34	82	81	88	104	105
HIW ³ waste	0.3	1.0	1.7	3.9	7.6	8.8	34.2	30.1	8.9	11.1

Waste is monitored and employees are sent updates on waste production every month. The sorting of packaging waste that began in 2015 in the dining hall was extended to all divisions in order to involve employees in this process.

The volume of OIW generated has increased slightly compared to 2015, with manufacturing having carried out a number of operations to dismantle obsolete processing facilities, replacing the old workstations, which were recycled.

The portion of hazardous waste has increased by 25%, with much of this coming from the sludge from the water treatment centre that handles

the enamel waste. The reason for this is strong growth in the enamel business in 2016.

The most significant measures undertaken in 2016 were the following;

- ◆ running the water “pre-treatment” station regularly and cleaning it in order to reduce sedimentation from the enamel, reducing the need for cleaning the station;
- ◆ recovering and gathering up the non-pulverised enamel paste from inside the workshop before it gets washed into the water stream, to avoid unnecessary pollution of the water (and subsequent treatment);
- ◆ placing recycling containers around for smaller packaging items.

BEYRAND

<i>In tonnes</i>	2010	2011	2012	2013	2014	2015	2016
OIW ¹ waste	36	42	44	38	47	48	34
HIW ³ waste	9	9	11	14	9	11	15

Better management of raw materials has enabled the site to decrease the waste produced by 10 tonnes. The site has recycling bins for the different waste streams: paste products, used solvents, soiled packaging, paper, porcelain, wood, etc. All ink cartridges are also recovered and reused. Colour pots and screens are reused insofar as possible before being destroyed. Regular reminders of these rules are provided during workshops. Various awareness campaigns are also carried out during the year when storage/sorting is happening.

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

Footwear

Waste disposal was entrusted to a new service provider at the end of 2016. Several new recycling solutions are being proposed.

Logistics

When handling products, each of the quality control agents wears a pair of single-use textile gloves. During the campaign to collect clothing carried out as part of Sustainable Development Week, a process to give a second life to these gloves was launched: they will be reused for other purposes during the processing activities of an external partner.

Construction

Since 2014 a proportion of the leather offcuts from leather goods workshops is systematically used to cover counters in all stores and artisans' workbenches. In 2015, the concept of the pop-up store, with re-use of furniture, was rolled out to Europe, the Americas and Asia. In 2016, window displays at the store in King of Prussia, Pennsylvania (US) were decorated using objects created with leather offcuts from France.

Also in 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 annual display stand of La Montre Hermès at the clockmaking fair in Basel, Switzerland, measuring approximately 1,000 m², is rebuilt each year using 80% recycled structural materials as well as the technical equipment for lighting and the furniture from the previous year. The remaining 20% of used materials (carpet, flooring, linoleum) goes to local recycling facilities.

Furthermore, in France 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.

2.4.4 SUPPLIERS MONITORING

Within the context of the Group's monitoring plan, jointly led by the industrial department, the audit and risk management department (A&RMD), and the legal department, new concrete actions have been launched or planned, while others have been expanded.

On the legal front, Hermès is formally asking suppliers for their support in complying with its corporate and regulatory responsibilities. The Group is also asking them 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.

In terms of IT, there is a central platform. This tool makes it possible to share all supplier data throughout the Company. Its purpose is two-fold, hosting legal documents (agreements, commitments, etc.) from partners and providing an overview of revenue.

With the support of an external firm, the Group also carries out risk audits (EHS, corporate, etc.) with its partners. These audits make it possible to perform an on-site check of their commitments, ensuring that relevant regulations are being complied with, and verifying the real working conditions and well-being of their employees. These audits end with a shared understanding and an action plan, where applicable.

Finally, the industrial department runs the network of purchasers for the House, which operates and maintains the information system serving as the structure for these functions. It also carries out joint actions, such as creating industry questionnaires in order to do preliminary diagnostics on EHS compliance, implementing common rules to be used in filling out questionnaires for new suppliers, and organising the sharing of this knowledge through the entire network. Training is also prepared and delivered by and for this network. 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.

The example of Tanneries

As part of the division's commercial relations with its subcontractors and hide suppliers, the industrial department regularly performs audits in order to check that the Group's requirements – notably in terms of quality as well as compliance with social and environmental commitments – are actually being respected. At the end of 2015, more than 40% of the partners had been visited. Over the last three years, 90% of them have been audited.

Regular inspections are also carried out in the livestock sites. In addition to these inspections, an audit programme was set up for all crocodile hide providers. These verifications primarily concern CITES regulations, best farming practices, environmental management, social conditions of employees, safe infrastructure and working conditions. These topics are grouped together in a charter of best livestock raising practices established in relation with veterinary experts.

The example of Jewellery

For several years, the Company has been involved in a certification process (the Responsible Jewellery Council - RJC) to guarantee the best traceability for production and purchasing for our jewellery. This certification must be regularly renewed through audits performed by RJC throughout the chain, from production through to distribution. This renewal of the certification took place in 2016. This makes it possible to offer the best environmental and social guarantees regarding the conditions in which precious materials are sourced.

Construction

In 2016, a purchasing policy for partners for construction projects was defined. 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 plan for external audits of suppliers in the real estate sector was launched in 2016.

2.4.5 CORPORATE RESPONSIBILITY AND USING SOCIALLY SUPPORTED ORGANISATIONS

Through its policy for the disabled, the Group promotes using services provided by the subsidised sector for socially supported organisations in France (EA, ESAT, sheltered work establishments and disabled adapted companies) 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

Over the last seven years, the division has developed close partnership relations with four sheltered work establishments (ESAT) and an adapted company (EA), located in the vicinity of the production units.

Within these five partner establishments, the Health, Safety and Working Conditions underwent a formal audit. A personal contact person provided these workshops with technical and quality support on a day-to-day basis, but also over the long term, as part of development projects, as well as in the implementation of future premises or the acquisition of new equipment.

Textiles

Partnerships with the ESATs for the recycling of photoengraving frames, fabric sampling for Créations Métaphores, maintenance of landscaped spaces and cleaning of the sites continued. In 2016, HTH continued to support the Handysoie partner company, in collaboration with an ESAT, which employs disabled staff for making textile products.

Tanneries

The Montereau and Vivoin tanneries, through their partnerships with institutions and work-aid support services (ESAT), have included the participation of persons for the maintenance of green spaces. The Montereau site also hosts two people from the same ESAT programme as part of production operations. For its part, the Annonay tannery works with an ESAT branch for office supplies.

Crystal

Maintenance of green spaces is entrusted to the Association APAEIE Ingwiller.

The Paris sites: Hermès International, Hermès Services Groupe, Logistics

The Paris sites use ESAT branches for a number of operations. Cooperation with various ESATs covers some administrative tasks and the making and delivery of food trays, meetings or seminars conferences.

2.5 ENVIRONMENT

One of Hermès' strongest and most abiding values is the respect for nature, the source its exceptional materials and the living environment of its sites. 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 all 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 Group's industrial department pursues an environmental programme formally approved by the Executive Committee, whose goals are unchanged since 2003:

- ◆ 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. An Environmental, Health and Safety network ("EHS network") has been in place since 2003. Managed by the industrial department, it coordinates the actions of the House in these areas. The network comprises 20 members who meet several times a year to share results and best practices. The training of network members in respect of EHS issues

represents almost half of meeting time. In 2016, the focus was placed on arduous work, following recent legislative developments, as well as changes in safety culture. Training of this nature is subsequently 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 cycle, started in 2014, continued in 2016, with audits of 14 sites. These check the regulatory compliance of sites and assess their position in terms of a safety culture. Audits are also conducted at the time of construction or acquisition of new sites, enabling full coverage of Hermès' industrial assets over the three-year period.

The information system deployed to 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.

In 2016, in order to improve coordination and control of activities involving internal staff and external service providers, the Group's construc-

tion 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, 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 serves to:

- ◆ harmonise and oversee sustainable building practices aimed at achieving ambitious goals;
- ◆ improve the environmental quality of construction projects from conception to completion, for users;
- ◆ transcribe the values and characteristics of the Hermès Group internally and among 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 indicators collected 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 yet include data from new Precious Leathers sites in Australia and the United States. Consumption figures for certain leased sites are not available (such as water for the Saint-Antoine leather goods production unit, and water and energy for the John Lobb Mogador workshop in Paris); however, given the size of the workshops and the absence of industrial water use, they represent a negligible proportion of the consolidated total.

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 thirty contributors worldwide) and are centralised by the construction development department, which runs various checks (analyses) in relation to the previous year's figures (comparison 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 concern nearly 76% 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 93% of stores are covered. In Asia, over 92% 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, 88% of stores are covered, including 100% 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)

While none of its production sites are located in regions where water resources are scarce, Hermès is convinced of the vital importance of water resources, and in 2002 it launched a program to reduce water consumption. This program is based on a wide range of initiatives involving almost all our production sites.

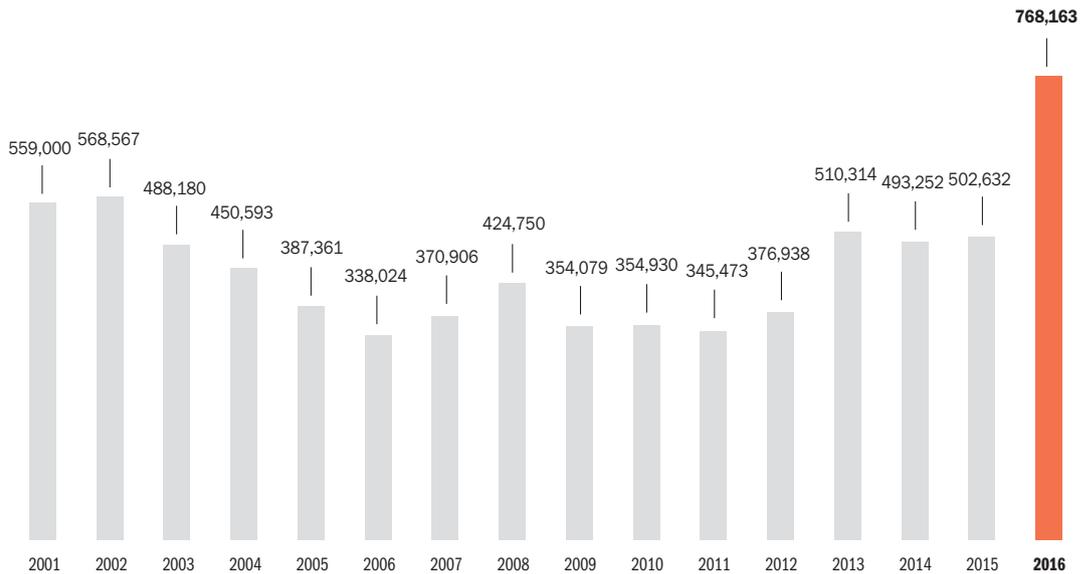
In 2016, Les Tanneries du Puy was included in the reporting scope, following their acquisition at the end of 2015. The inclusion of Les Tanneries du Puy significantly impacts the overall water consumption indicator.

Over the last decade, water consumption has increased by 2.1 times at real scope despite business volumes having risen by 3.2 times. At constant scope (without Les Tanneries du Puy), the figure falls to just +20% with a decline of nearly 10% between 2015 and 2016.

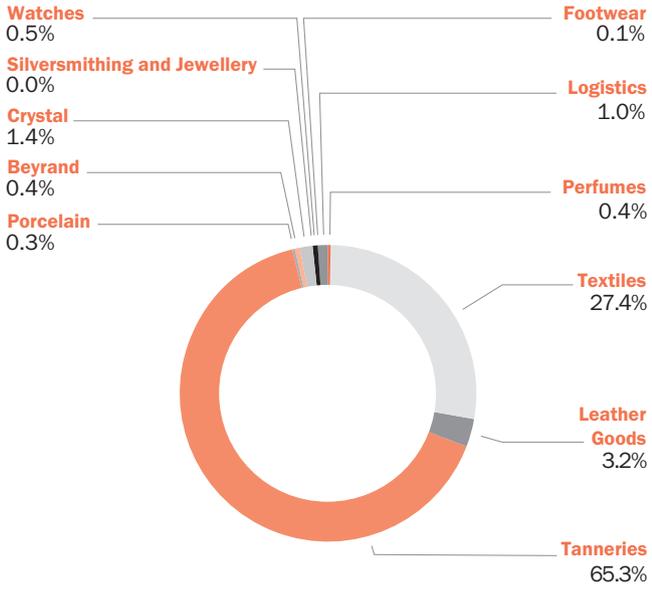
Since the launch of the group's environmental program in 2002, despite a four-fold increase in manufacturing output, water consumption has only risen by 35%, reflecting the effectiveness of the program and water-saving actions.

2

CHANGE IN WATER CONSUMPTION (IN M³)

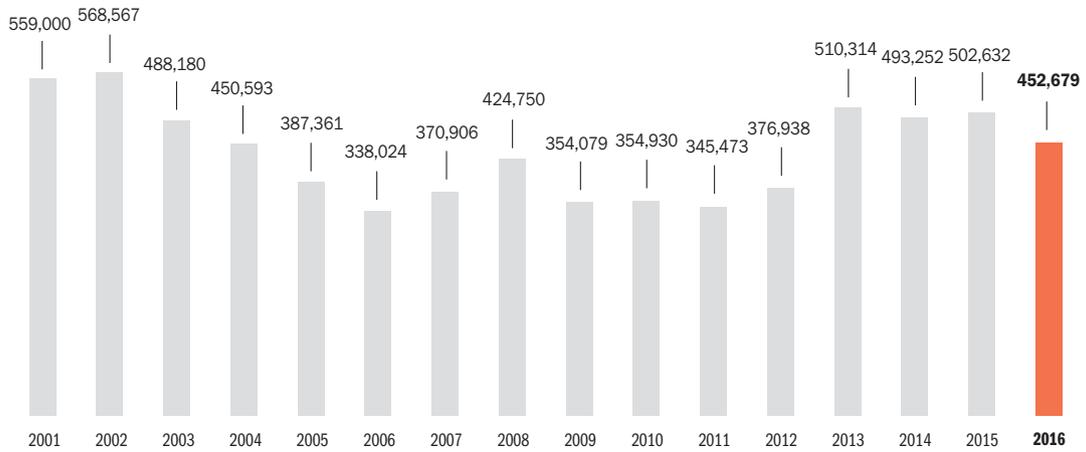


WATER CONSUMPTION BY MÉTIERS IN 2016



CHANGE IN WATER CONSUMPTION (IN M³)

Total Group consumption at constant scope between 2015 and 2016 (excluding Les Tanneries du Puy)



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 202,125 MWh in 2016, compared with 180,625 MWh in 2015. 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 energy, mainly hydro, produced locally.

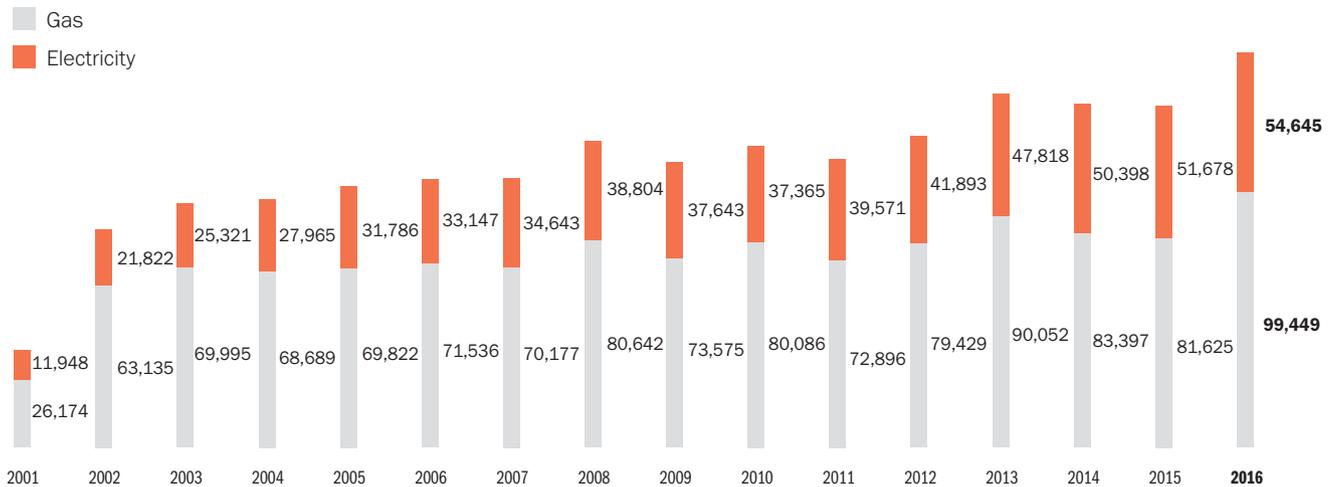
2.5.3.2 Industrial

Over the last decade, total energy consumption has increased by 1.5 times (at constant scope, this figure falls to 1.3 stripping out Les Tanneries du Puy) despite business activity growing by 3.2 times. At constant scope, it fell between 2015 and 2016.

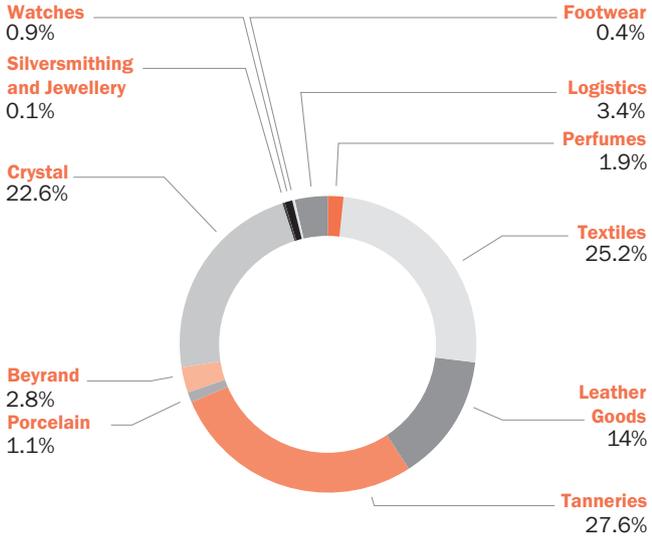
Since the group launched its environmental program in 2002, despite a four-fold increase in industrial output, energy consumption only increased by 35%, testifying to the improved management of consumption.

2

CHANGE IN ENERGY CONSUMPTION (IN MWH)

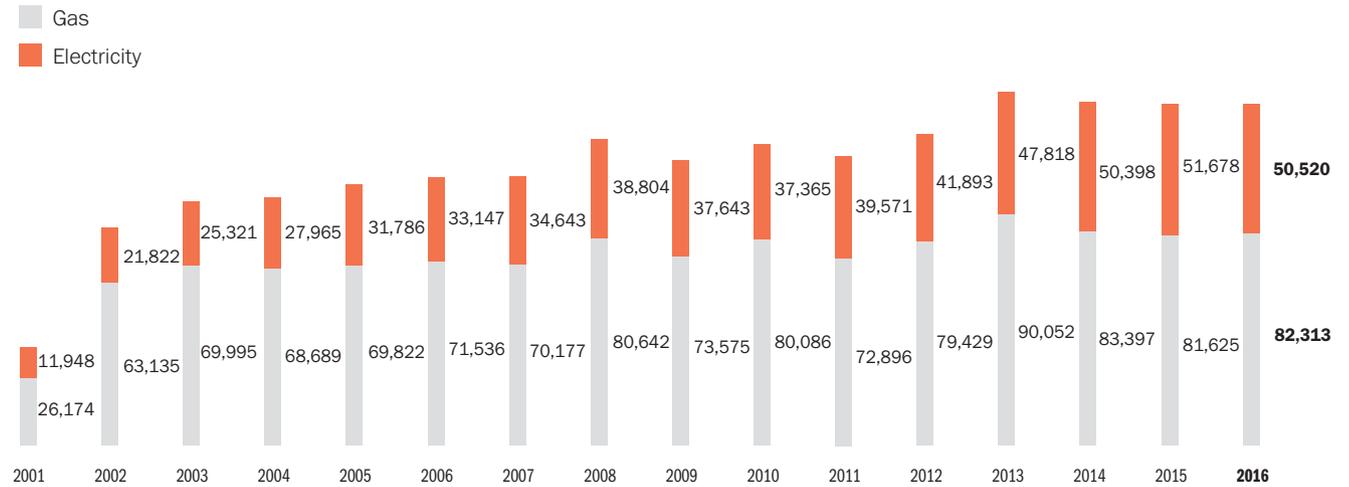


ENERGY CONSUMPTION (ELECTRICITY AND GAS) BY MÉTIERS IN 2016



CHANGE IN ENERGY CONSUMPTION (IN MWH)

Total Group industrial consumption at constant scope between 2015 and 2016 (excluding Les Tanneries du Puy)



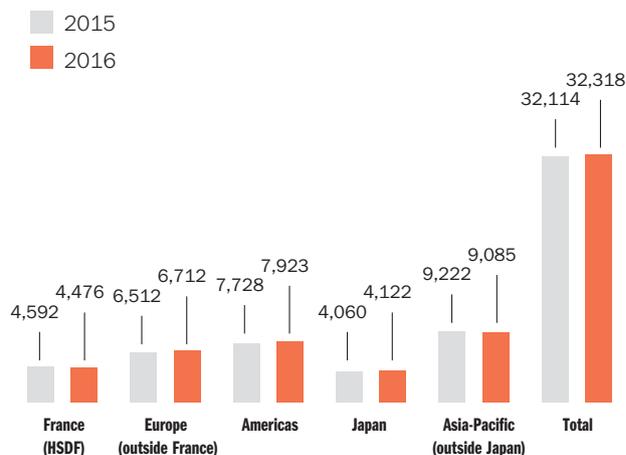
2.5.3.3 Construction

Stores consumed 32,318 MWh of electricity in 2016, up approximately 1% on 2015. These figures are explained in large part by an increase in sales surface areas, mainly in Asia and the United States, by store openings and expansions, and by the expanded scope and better reporting by subsidiaries.

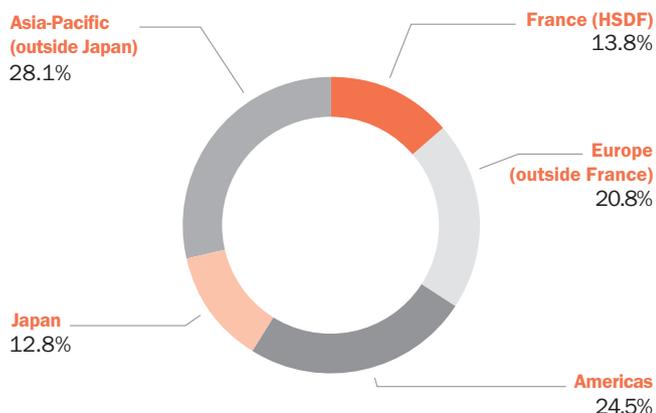
The downward trend in the ratio of energy consumption to sales surface (KWh/m²), especially in France and the United States, is attributable chiefly to the increase in LED lighting, which continued to become more widely used in 2016.

Offices and ancillary premises consumed 15,713 MWh in 2016, 13,349 MWh of which was accounted for by the Paris and Pantin sites.

ELECTRICITY CONSUMPTION OF STORES BY GEOGRAPHICAL REGION (MWH)



ELECTRICITY CONSUMPTION OF STORES BY GEOGRAPHICAL AREA IN 2016



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. This therefore amounts to reducing them at constant scope.

New production units are built with an eye to their future energy performance.

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Water in cubic metres	35,000	29,100	30,905	23,346	30,202	24,812	24,761	22,234	23,549	23,763	27,929	24,590
Electricity in megawatt hours	8,459	9,239	10,607	11,063	11,297	11,399	11,751	12,468	12,233	12,468	13,581	14,317
Gas in megawatt hours	6,675	7,758	7,755	9,130	7,410	8,572	7,594	8,070	8,276	6,395	7,071	7,533
Fuel oil in megawatt hours	1,360	1,752	1,382	1,037	953	726	0	0	0	-	-	-
Wood in megawatt hours	-	-	-	-	70	385	390	377	338	446	546	495
Level of activity			100	108	109	110	118	126	138	147	162	175

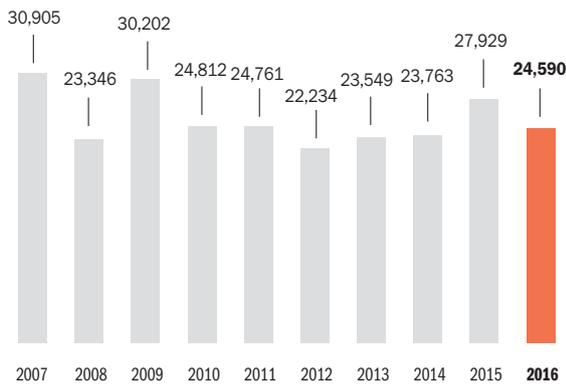
The data processed do not include the Vaudreuil workshop or the Faubourg leather workshop, which are included in other scopes.

Water

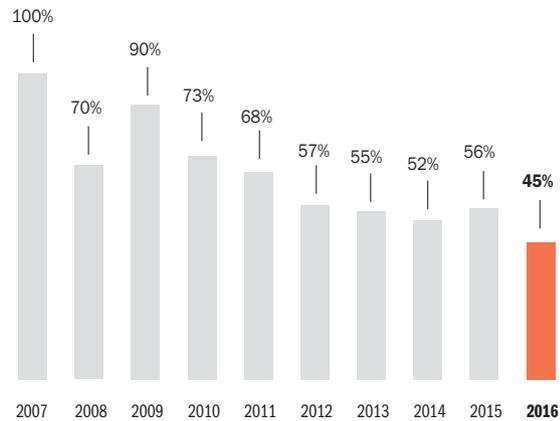
In the Leather and Saddlery division, the water consumed has no industrial use. It corresponds to sanitary use, to the fire-extinguishing network and to watering landscaped areas. At Pyramide (Pantin), water is also used to supply the back-up air-conditioners.

The division's water consumption totalled 24,590 m³ in 2016, a reduction of 12% compared with 2015. This reduction is attributable to the repair of a major water leak at Manufacture de Haute Maroquinerie and more robust monitoring of other production units to ensure the early identification of suspicious consumption so as to address leakage.

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



LEATHER AND SADDLERY DIVISION – WATER – CONSUMPTION AS A PROPORTION OF REVENUE



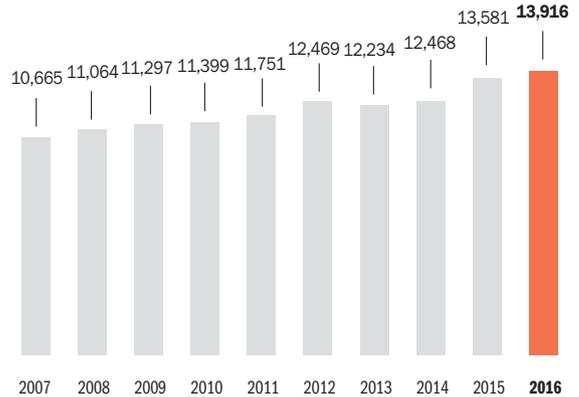
Pyramide in Pantin represents 35% of the division's annual water consumption because it houses the central services, annual events and a corporate restaurant.

Electricity

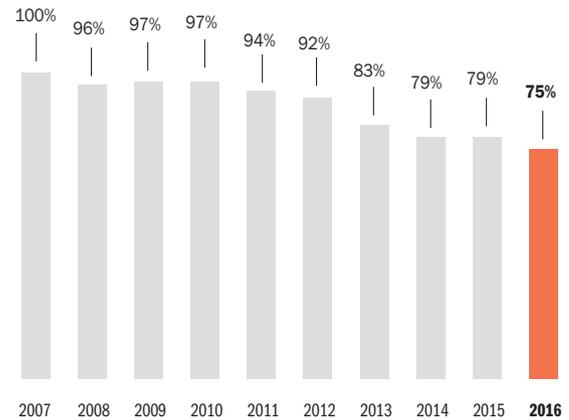
Electricity is the main power source for tools in the production units, as well as equipment for buildings. Electricity consumption amounted to 14,317 MWh in 2016, an increase of 2.4% compared with 2015. The variation in 2016 is attributable to the start of operations in the Saint-Junien relay workshop and the Héricourt production unit, as well as an increase in consumption on the sites in Pantin.

Other production units stabilised or slightly reduced their electricity consumption year on year. These results demonstrate the control of on-site equipment and the attention given to the energy aspect when production equipment is replaced.

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



LEATHER AND SADDLERY DIVISION – ELECTRICITY – CONSUMPTION AS A PROPORTION OF REVENUE



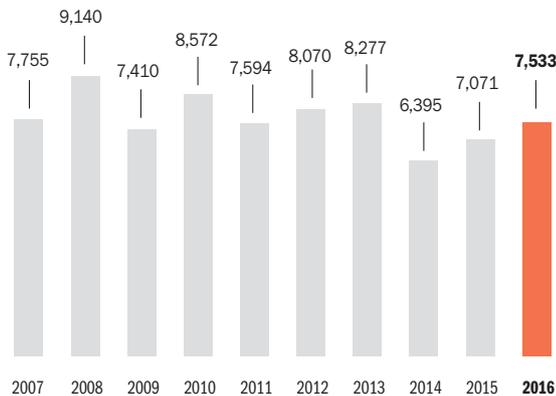
Gas

Gas is used only to heat sites. Gas consumption totalled 7,533 MWh in 2016, an increase of 8% with respect to 2015. As a proportion of revenue, the consumption of gas was stable compared with 2015.

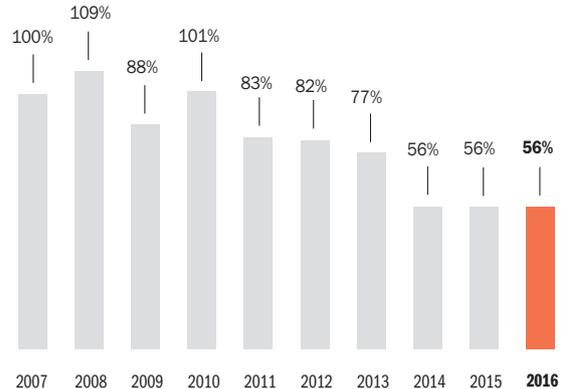
It should be noted that the Nontron production site, which utilises a mixed heating system (wood and gas), was not able to start the wood boiler for technical reasons.

Generally speaking, the sites seek to control their gas consumption while ensuring that artisans can work in comfort on the premises throughout the year.

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



LEATHER AND SADDLERY DIVISION – GAS – CONSUMPTION AS A PROPORTION OF REVENUE



Wood

Heating is performed entirely with wood within the Belley production unit (urban heating network) and at Abrets (independent heater). The

Nontron site utilises a mixed heating system (wood and gas), but the wood boiler could not be put into service in 2016.

For the craftsmanship division as a whole, wood represented 6% of consumption serving to heat buildings in 2016.

Tanneries and Precious Leathers

Les Tanneries du Puy was acquired in November 2015, and included in the division’s reporting scope in 2016. It made a significant contribution to the increases observed.

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.

	2009	2010	2011	2012	2013 ¹	2014	2015	2016 ¹
Water in cubic metres	95,809	85,215	95,036	87,649	180,340	155,455	184,956	501,775
Electricity in megawatt hours	3,260	3,256	3,686	3,555	5,529	6,143	6,572	10,627
Gas in megawatt hours	7,567	8,104	6,577	7,230	13,541	11,788	15,019	31,949
Fuel oil in megawatt hours	-	-	-	-	55	35	52	48

(1) The reporting scope for 2016 includes Les Tanneries du Puy, acquired in November 2015, and excluded from the 2015 reporting.

A total of €0.65 million was devoted to the prevention of environmental risks and pollution in 2016. Most of this investment went towards the optimisation of sites’ water treatment plants.

Projects related to environmental protection undertaken in the division’s tanneries mainly concerned: optimisation of the operation of treatment plants, stabilisation of energy and water consumption and improvement of waste sorting. These actions also help nurture the progress plans shared with other Hermès divisions.

In addition, the French tanneries have sent DREAL/DRIEE their positioning with respect to the new nomenclature of classified facilities.

Water

The division’s water consumption is multiplied by 2.7 in 2016. The increase was attributable exclusively to the inclusion in the reporting scope of Les Tanneries du Puy, which accounted for 60% of the division’s water consumption, and whose average ratio of water consumption to revenue increased in 2016. The ratio was nevertheless steady on the scope of exotic leather tanneries and down slightly at the Annonay tannery thanks to efforts to rein in and reduce consumption. These data are based on monthly monitoring of the tanneries’ water consumption, preventive maintenance programmes for facilities, regular verification and sampling of meters, and programmes to raise employee awareness. 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.

Energy

The power consumption of the division rose 97%. The increase was attributable exclusively to the inclusion in the reporting scope of Les Tanneries du Puy, which accounted for half of the division's energy consumption.

The average ratio of energy consumption to revenue was stable on the scope of exotic tanneries and the Annonay tannery. However, there was a slight increase on two exotic leather tanneries (Montereau and Vivoin) due to the expansion of machinery fleets, new buildings and improvements to capture and ventilation systems on work premises.

Textiles

2016 was marked by a sharp increase in production volumes in the second half of the year. Revenue was up 3.1% over the full year compared with 2015. Despite this growth, total energy consumption was broadly stable, and water consumption showed a pronounced improvement.

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Water in cubic metres	260,000	241,000	199,000	215,800	198,478	238,760	269,232	275,995	256,534	210,577
Electricity in megawatt hours	9,678	10,075	9,267	9,520	9,694	11,673	12,586	14,050	13,034	12,856
Gas in megawatt hours	21,897	22,254	20,443	22,810	21,000	26,324	27,115	27,175	25,407	26,016

Water

The Silk division's water consumption was down 16% compared with 2015. Several measures were taken on the various sites to obtain this outcome: replacement of obsolete machinery, optimisation of processes, detailed monitoring of consumption by area, etc. Water management of facilities has become a concern shared by all workshops. At

SIEGL, a water recycling process via the lagoon contributes significantly to the improved results.

Energy

Despite a colder winter than in 2015 and an increase in business, the subsidiary's energy consumption was virtually stable (+1%).

Crystal

The production unit's 2016 business volumes were stable in value, with improved performance ratios in terms of production volumes, despite the interruption of the melting process during the construction of a new tank furnace.

	2011	2012	2013	2014	2015	2016
Water in cubic metres	17,991	12,992	15,850	15,235	11,662	10,578
Water/output in litres per item	104	74	85	87	88	68
Electricity in megawatt hours	8,985	8,563	8,797	8,584	8,578	7,534
Gas in megawatt hours	32,488	32,474	34,428	31,296	27,020	27,303
Fuel oil in megawatt hours	123	93	101	142	189.5	95.6

Water

Water consumption fell sharply in 2016 (-9% compared with 2015). Several events combine to explain this outcome: the interruption of the melting process during site development work in the workshop and the construction of the tank furnace, meaning that work was reduced to two workstations rather than three. The shutdown of the previous tank furnace, whose water consumption had increased significantly at the end of the season, was another factor in the saving.

Energy

Overall energy consumption was comparable with that of 2015. Electricity consumption decreased slightly, mainly following the decommissioning of the former tank furnace in October 2016. The share of electricity consumption attributable to the new furnace is less than that of the previous one. The efficiency of natural gas facilities installed in 2014 and 2015 (pot furnace, centralised heating, etc.) was confirmed this year.

The gradual replacement of openings by new equipment will contribute to tighter control of gas consumption.

The reduction in "fuel oil" consumption year on year is attributable the fact that back-up radiators were used during the first two months of 2015. The replacement of the fleet of forklifts by electric models in 2016 also contributed to the reduction.

Perfumes

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Water in cubic metres	5,426	5,644	5,777	4,359	2,772	2,703	3,756	3,723	3,489	2,820
Electricity in megawatt hours	1,422	1,422	1,430	1,446	1,701	1,414	1,533	1,579	1,591	1,563
Gas in megawatt hours	2,246	2,376	2,331	3,032	2,037	2,161	1,774	1,289	1,378	1,411
Fuel oil in megawatt hours	0,8	0,8	0,8	0,8	0,3	12	4	4	11	9,5

Water

Water consumption at the site is down 19% compared to 2015. This is due to the renovation of hot water pipes, tests involving the extraction of sprinkler water from the fire basin and better overall network maintenance (elimination of leaks). It is used almost exclusively in the washrooms and company restaurant, and on occasion 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 limited to 2.3% in 2016, despite the colder winter than in 2015. The main reason for the small increase was

the recovery of energy in air compressors, which can be used to heat domestic water without using boilers, as well as an improvement in the settings of the equipment. The leather goods workshop still represents one-fifth of the site's overall consumption.

Electricity consumption was down slightly compared with 2015 (-1.7%). The main reasons behind the gain are the replacement of compressors (the new models boast a better performance) and the insulation of air ducts in the air conditioning systems of manufacturing premises. The leather goods business still accounts for approximately 5% of total electricity needs.

Fuel oil consumption was stable compared with 2015.

Watches

The Watches division consists of La Montre Hermès (design, manufacturing and distribution of watch products), Joseph Énard (manufacturing of watch cases) and Natéber (manufacturing of dials). To capitalise on synergies between the two businesses and the amalgamation of teams, the Natéber and Joseph Énard activities were combined on the Joseph Énard site in Noirmont in November 2016.

Redevelopment work was carried out on the production area, office space, ventilation systems, treatment station and production equipment of the Noirmont site to allow it to accommodate them. The car park was also extended.

	2011	2012	2013	2014	2015	2016
Water in cubic metres	860	5,437	6,013	6,539	6,271	4,043
Electricity in megawatt hours	381	509	1,027	1,141	1,211	1,228
Gas in megawatt hours		118	94	93	109	104

Water

Water is used solely for domestic purposes at La Montre Hermès, but plays a part in the electroplating process at Natéber and for washing at Joseph Énard. Substantive work has been carried out to align water consumption with processing requirements. It has reduced total consumption by 35%.

Energy (fuel oil, gas, electricity)

Gas and electricity consumption is stable.

Porcelain and Enamel**CATE**

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Water in cubic metres	875	2,136	803	1,196	1,429	1,615	1,883	1,733	2,230	2,248
Electricity in megawatt hours	833	918	846	936	922	1,229	1,222	1,208	1,208	1,290
Gas in megawatt hours	538	530	478	547	461	547	696	499	494	487
Fuel oil in megawatt hours	62	74	55	55	33	31	31	33	33	34

Water

The Nontron site uses water in its manufacturing process for the decoration of porcelain and, to a lesser extent, for the enamel activity. Overall water consumption increased by less than 1% year on year in 2016. This small increase resulted from stronger activity in the workshops. It was kept low by the various action plans undertaken:

- ♦ installation 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%;
- ♦ installation of a circulation pump to supply hot water for new decoration workstations: the waiting time before the arrival of sufficiently hot water at the workstation has been reduced;
- ♦ installation of a pressure reducer at the headend to reduce the risk of leaks.

Energy

The site's energy consumption was up 4% compared with 2016. The increase is attributable to the consumption of electricity by the porcelain kiln. To deal with an increase of the firing time of decorations, the kiln utilisation time was extended by more than 10%. This increase stems from production volumes but also the product firing time, as new designs require longer in the kiln.

Measures have been taken to reduce energy consumption, such as:

- ♦ the removal of halogen lights and the installation of LED systems on the last of the decoration workshop workstations as well as on all brush workshop workstations;
- ♦ but also, as the programming of compressors provides for their shutdown in the evening and on the weekend, louvres have been installed on porcelain and decoration kiln workshop sheds to allow these areas to cool naturally.

BEYRAND

	2010	2011	2012	2013	2014	2015	2016
Water in cubic metres	3,514	4,767	4,150	4,243	3,936	2,706	2,791
Electricity in megawatt hours	2,396	2,574	2,550	2,425	2,482	2,473	2,374
Gas in megawatt hours	2,072	1,611	1,709	1,627	1,218	1,779	1,916
Fuel oil in liters	3,000	6,000	4,501	3,000	3,000	0	0

Water

Water is primarily used for domestic purposes to supply the automatic fire suppression network and for the washing and development of frames. Water consumption was stable in 2016 after a sharp decline in 2015 (-31%) following the shutdown of a cooling tower, replaced by a new refrigeration unit.

Energy

Electricity is mainly used for air conditioning, which is necessary to control the humidity and temperature of the workshops. Its consumption is stable. The new refrigeration unit is the main cause of the increased gas consumption.

Silversmithing and Jewellery

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Water in cubic metres	719	698	696	853	1,055	486	358	269	221	225
Electricity in megawatt hours	164	173	173	190	168	200	175	178	153	133
Gas in megawatt hours	18.3	18.8	17.9	16.7	11.8	12.7	10.4	8.0	7.1	6.1

Water

Water consumption was stable compared with 2015 (+2%).

Footwear

The IT and general services manager ensures the proper awareness of Health, Safety and Environmental issues at the John Lobb Northampton site, while in Paris, the site's production manager oversees these areas directly.

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Water in cubic metres	459	809	861	847	767	788	844	823	717	773
Electricity in megawatt hours	227	237	219	233	225	242	275	349	300	283
Gas in megawatt hours	226	206	213	200	193	177	186	203	220	224

Water

Water is primarily used for domestic purposes and for weekly tests of the sprinkler system. The manufacturing process represents a marginal part of the water consumption during the sole preparation phase. The variation observed between the two periods is not meaningful.

Logistics

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Water in cubic metres	2,900	2,529	2,586	2,680	2,324	4,274	4,246	5,771	5,921	7,385
Electricity in megawatt hours	2,653	2,728	2,694	2,480	2,059	2,040	2,016	2,209	2,977	2,797
Gas in megawatt hours	2,987	3,945	3,316	3,776	2,535	2,224	2,305	2,726	3,104	2,374

Water

Water consumption increased further in 2016. The increase was entirely attributable to expansion work on the site and business growth.

2.5.5 MEASURES TO IMPROVE ENERGY EFFICIENCY

As described in the section of this report devoted to construction, energy issues relating to the sites are the subject of increased attention during their construction, renovation or maintenance. The métiers whose processes consume energy naturally also have policies designed to reduce their consumption.

Tanneries

The tanneries are working to improve the energy efficiency of their facilities. For example, the Montereau tannery has continued work to optimise the extraction and renewal of air in its finishing shop and on its machinery and equipment. The Vivoin tannery continued its development work by installing LED lighting and motion detectors throughout the site, working

Energy

Gas and electricity consumption was down compared with 2015. Part of the decline can be attributed to business volumes, the rest to increasing awareness among workshop staff.

Energy

Fluctuations in electricity (-5.6%) and gas (+1.8%) consumption are attributable chiefly to weather conditions during the year. However, the second phase of roof insulation work begun in 2015 took place in 2016. The work is scheduled to be completed in 2017. In addition, a new boiler control system was introduced at year-end to reduce the consumption of gas to heat buildings.

Energy

Gas and electricity consumption were down sharply. Variations are attributable to the shutdown of some equipment.

on the thermal insulation of new workshops, and by optimising its ventilation equipment. At Cuneo, electricity production from 296 photovoltaic panels installed on the roof of the tannery totalled 66 MWh, representing 9% of the site's total electricity consumption in 2016. Electricity generation is used entirely for tanning processes during the week and is injected back into the grid on weekends. It was down slightly compared with 2015 following an operational incident lasting two months. Gas cogeneration used to simultaneously produce hot water and electricity worked throughout the year. Lastly, the Montereau and Vivoin tanneries, which underwent regulatory energy audits performed by external specialist firms in the second half of 2015, have implemented improvement plans.

Textiles

At ITH, a programme was rolled out after a detailed diagnostic analysis of consumption. Leading to the modification of the air conditioning system

(change of exchangers on the roof), optimisation of time slots and the installation of motion detectors for lighting. The site also uses energy supplied by photovoltaic panels.

Crystal

The processes using the most energy at the production unit are melting the raw material and working with it while hot. The best available technology in terms of production volumes is implemented in each investment project. The two recently renovated furnaces are a prime example.

The reorganisation of the melt shop with its new tank furnace allowed the pooling of energy-consuming equipment on workstations (e.g. openings) and a reduction in the use of single-cell furnaces by optimising the use of the pot furnace renovated in 2015.

The energy audit carried out in 2016 identified additional measures to reduce consumption, particularly on equipment used "around the edges" of the process, thereby confirming the interest of the blueprint currently being carried out to replace some boilers.

Perfumes

The establishment of a system to recover heat generated by air compressors now enables the production of hot water, which lessens the load on boilers and in turn has a favourable impact on gas consumption.

Heat insulation has been installed or replaced on the pipes of air handling units and boilers in order to improve the efficiency of the equipment.

A campaign to replace existing lighting with LED systems in various buildings, especially the warehouses, has just begun.

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 for our watch and jewellery 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 2016, in addition to the new stores, relamping with LED systems continued on the global network of existing stores, bringing the total proportion of Hermès stores equipped with LED systems to 55%.

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 projects throughout 2016.

Thermal insulation

Particular attention is paid to insulating store façades (special glazing) and industrial buildings (improved external insulation).

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 2016. 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.

The choice of building materials, a reduction in their weight and an effort to source supplies locally also improve results on the Bilan Carbone® assessments of new buildings and new 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.

In Montereau, the reduction of water consumption combined with the production increase led to a concentration of pollutants in its wastewater. In 2016, as in 2015, the site continued research on the sources of pollution and the implementation of complementary treatment. The Vivoin site meanwhile continued its work to develop and secure the treatment of its effluents, including the sludge system with the installation of a new filter

press. Apart from a few minor operating incidents, the treatment plants at other tanneries (Cuneo, Lafayette, Le Puy and Annonay) had stable operations throughout the year. In addition, considerable investments have been made on these facilities to optimise their operations and the quality of discharges.

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. The thresholds were not exceeded on any site.

Finally, each year, in keeping with regulations, the French sites prepared a management plan for their solvents. Flows of specific VOCs (volatile organic compounds) were found to comply with applicable requirements. Measures aimed at reducing the use of solvents or changing processes used in the past have also reduced VOC emissions. At the same time, insulation and improved treatment of the air in the skin degreasing workshops have significantly limited the exposure of employees.

Crystal

Industrial wastewater, pre-separated in the respective workshops and collected at a single point, has been purified by a modernised phytotreatment facility since 2015. An awareness programme to educate users in the treatment of water to sustain the performance of the new facility was initiated in conjunction with these projects.

To further improve the quality of wastewater discharges and prepare for potential regulatory changes, a study has been conducted in partnership with the water board and an external partner.

Measurements of air emissions were carried out in the first half of the year and in December. The first results confirm air emission readings bearing on the operation of the facilities and resulted in the implementation of measures to optimise the management of facilities, including gas-fired washer/scouring sluices.

Textiles

A study of potential improvements to the SIEGL effluent treatment plant was undertaken in 2016. The aim is to improve our performance in processing waste and to increase the proportion of recycled water put back into processes.

Perfumes

In 2016, 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.

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 urban network. An external laboratory carries out monthly analyses.

A study was conducted in 2016 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 so as to reduce pollution risks. Work will be conducted in early 2017 to complete this study.

Beyrand

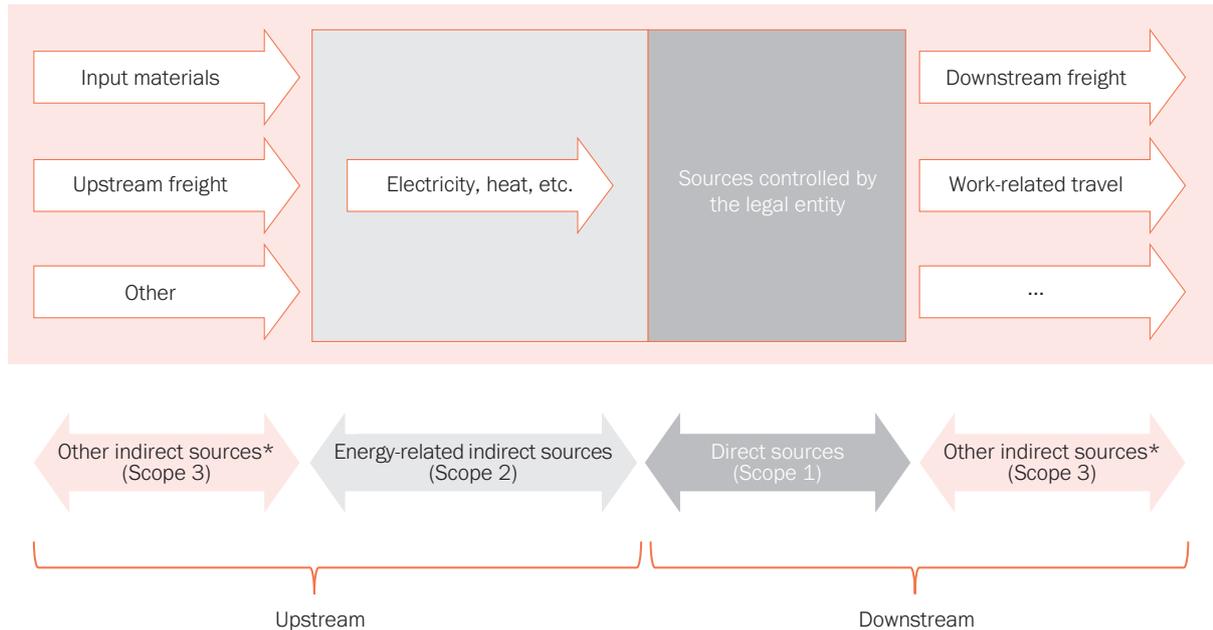
The site has a water treatment station at the exit of the washer/scouring sluice. It also uses a physicochemical process. Silver recovery units have been installed at the exit of the film developers.

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 five years ago 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).



* Emission sources 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 business 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 32kT of CO₂ equivalent, down 5% compared with 2015 despite the inclusion of Les Tanneries du Puy.

The main sources of scope 3 emissions are freight (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 120 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 third time delivered carbon credits to its shareholders in 2016, after verification from specialised auditors (using the Gold standard and VCS standards).

In 2016, they served to offset two-thirds of Hermès' scope 1 and 2 carbon emissions.

The key initiatives taken by the sectors and subsidiaries in this area in 2016 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 2016. CO₂ emissions in the division increased between 2015 and 2016 (+56%). The increase is attributable to the inclusion of Les Tanneries du Puy in the 2016 reporting scope. It accounts for 40% of the division's overall emissions. At constant scope of consolidation, the division's emissions

decreased by 7% between 2015 and 2016, primarily due to an increase in maritime freight in the sourcing of precious skins. Energy consumption, use of chemicals and the supply of raw exotic and calf hides are the biggest sources of the division's emissions. They account for over 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 2016, two-thirds of crocodilian skins received in tanneries from the United States and Africa (80% of skin purchases in 2016) were shipped by sea.

Crystal

The Bilan Carbone® (Carbon Assessment) of the production unit was updated in 2016. It was stable compared with 2015. The share of energy used in melting the raw material was once again predominant. The data used to perform the Carbon Assessment has been made more structured and reliable, notably through the use of more detailed data on the proportion of upstream packaging and freight. This analytical approach nurtures the production unit's projects and is factored into its "Water, Energy, Carbon" plan.

Textiles

The Bilan Carbone® (Carbon Assessment) for the entire division was updated in 2016. This effort contributed to the division's "Water, Energy, Carbon" action plans. The activities producing the most emissions are purchasing (fabrics, chemical products and packaging), upstream freight, energy, and commuting.

Perfumes

Both areas represent the vast majority of emissions of CO₂, leaving downstream packaging and freight (especially airfreight). The total amount of CO₂ emissions increased between 2015 and 2016, due entirely to the increase in volumes of perfumes produced and packaged in 2016, 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.

Porcelain and Enamel

CATE

The updated Carbon Assessment for 2016 shows an increase compared with 2015. The biggest increase stemmed from purchases of porcelain, which were up sharply. In 2015, the site used inventories, which were gradually built up in 2016, in line with the increase in consumption.

Beyrand

An update of the calculation of greenhouse gas emissions was conducted in 2016.

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 which may be caused by the 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.

Particular attention is paid to landscaping of the production facility sites: For example, the conservatory orchard in Héricourt, and the wildflower field in Bogy sur Meuse.

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.

Crystal

As part of the renovation of the tank furnace resulting in the interruption of activity on the site, a baseline noise measurement was conducted in October 2016. A further measurement is planned for early 2017 to assess the level of noise generated by the site. The noise aspect is systematically included in specifications for new facilities, and this was particularly the case for the renovation of the tank furnace in 2016 (materials used for the extension of the building, insulation of the filtration plant, etc.)

A proposed environmental monitoring plan for the site's activity has been sent to the relevant authorities; it will be implemented in 2017.

Perfumes

The noise and olfactory pollution of the activity on the Vaudreuil site is very limited. No complaints have ever been received.

Noise measurements are regularly carried out on the property line 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.

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. Only one complaint for olfactory pollution was received in September 2016, from a neighbour of the Annonay tannery. It was looked into immediately; a search for the cause was conducted and corrective measures taken. No further incidents have been reported since that event.

Lastly, when required by the regulations, the tanneries may be compelled to carry out noise measurements at the property line. The latest measurements did not bring to light any excess noise.

Porcelain and enamel

Beyrand

The site is located in the centre of a village; work is being carried out in order to reduce noise at the property line to a very significant degree. Measurements taken before and after the installation helped highlight the reduction.

Silversmithing and Jewellery

A complaint from the neighbourhood relating to the replacement of the more powerful (and noisier) extractor forge led to carrying out work to locate it further away from dwellings. Sound-absorbing cladding has also reduced noise. This work has given full satisfaction, and new noise mea-

surements have been carried out to demonstrate the compliance of the new equipment.

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

No provision for risk was accrued for environmental risks in the financial statements for 2016. No company in the Group was required to pay compensation in 2016 as a result of a court ruling concerning the environment.

2.6 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 seeks to contribute 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.

2.6.1 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. Hermès operates on more than 50 sites in France (production units, stores, logistics sites, offices).

2.6.1.1 Local involvement

Each business line and each site grows roots in its host community through local actions designed to forge bonds between the House, its employees and its local environment.

Leather Goods

The Héricourt production unit inaugurated in April 2016 was built in a rehabilitated site formerly housing a textile factory. It is located in a green setting in the city centre, and aims to revive a lost industrial tradition. The project, carried out in close consultation with elected representatives and the local population, employed 149 artisans at the end of December 2016, all dedicated to the manufacture of leather goods.

A film was made telling the story of this project, and shown to residents of the town early in 2017.

The Seloncourt production unit, located in the same region of Franche-Comté, celebrated its 20th anniversary in 2016. It has deep roots in the region, and employed nearly 250 people at the end of 2016. In the same vein, leather workshops in L'Allan in Franche-Comté and Vaudreuil in Normandy (which is scheduled to open in 2017) rely on a framework of expertise and partnerships with schools, already developed by Hermès locally.

Meanwhile, the Ganterie de Saint-Junien is to become home to a new leather goods production unit in a site currently being rehabilitated; it will be part of the "Cité du Cuir" project currently being implemented by the Saint-Junien local authority.

Tanneries

The tanneries maintain constant dialogue with the local authorities (departmental fire and rescue departments, local council, DREAL/DRIEE, labour inspection) through periodic exercises 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

Companies in this sector are located in municipalities of very different sizes, mainly in the Rhône-Alpes region. Regular exchanges are held with local authorities or groups of local communities. The division is one of France's largest garment manufacturers. It plays an active role in professional bodies: Intersoie, Unitex and Techtera.

Tableware

The CATE site is located in the heart of the city of Nontron, where Hermès is a leading employer. The use of local tradespeople is promoted for regular plumbing, electrical, roofing or mechanical works.

2.6.1.2 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 Seloncourt, the two open days held in 2016 provided the opportunity for 800 visitors to see demonstrations of the gestures and expertise of their family members and friends working as artisans in the production unit. Employees once again demonstrated their pride in their profession and their attachment to Hermès, which allows them to contemplate the next 20 years with confidence. La Maroquinerie Iséroise opened its doors to the employees of the Savoie Dauphiné division, 70 people from the Maroquinerie de Belley and 50 people from the Manufacture de Haute Maroquinerie production unit. Building on its success, Maroquinerie des Ardennes welcomed about a hundred people for the third consecutive year, spread across two mornings.

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.

Textiles

SNC Nontron held an open day to mark its 25 years of operations. More than a hundred people (families of employees, retirees, elected officials, partners, CATE and Maroquinerie Nontronnaise artisans) were able to discover the different stages of manufacturing products (ties and maxitilly). A fun paper tie colouring workshop was also held for children.

At ATBC, three half-days allowed families, locals and elected officials alike to learn all about weaving.

Cristallerie Saint-Louis

A project to improve and extend the visit offered by the production unit since 2010 was initiated in conjunction with the plan to renovate the tank furnace. The novelty of this visit, enhanced by a “hot-glass” activity in the same workshop, rather than in a separate workshop as was the case previously, resides in its accessibility for people with reduced mobility. The tour is now identical for all visitors. The project will be completed in 2017 with the old tank furnace restored and preserved for the occasion. Visitors to the museum also benefit from the new layout of the “hot-glass” workshop, which is located in the area that already housed the museum, where craftspeople can be watched through a large window. Following the success of the event organised during Sustainable Development Week, which enabled visitors to discover the Saint-Louis filtering gardens, the museum team plans to organise regular guided tours of this area from May 2017.

Tableware

In Nontron, Compagnie des Arts de la Table et de l'Émail (CATE) opened its doors to a wide audience for a day so that employees could share with friends and family their pride in their profession and explain the ingenuity, tenacity and rigour that underlies their expertise.

Hermès Hors les Murs

During the “Hermès Hors les Murs” Festival in Paris in November 2016, the artisans of 10 of the House's métiers were able to demonstrate and share their experience and their passion for their profession. More than 43,000 visitors came to watch demonstrations by artisans. They were able to take part in discussions to gain a better understanding of Hermès on such topics as “crafts, circular economy and the relationship to time”, “passing craft skills on to young people” and “thinking and acting locally”. The latter talk provided an opportunity to address the links between private and public actors with the aim of driving local economic growth over time.

2.6.2 INITIATIVES

Giving time, giving of one's self, opening oneself up to others, receiving... The employees now grasp that everyone can play a role in building tomorrow, in their own way, through the simplest of gestures. Throughout the world, many different plans are in place at Hermès.

2.6.2.1 Committed employees

France

Hermès services Groupe brought together more than 300 people for a day of concrete action, namely the planting of 1,000 trees on an integration site in Normandy. The new apple orchard will help diversify the site's activity. The trees will need to be tended, and will serve to develop other skills such as the production of juice from the apple crop. It is also an opportunity for employees to join forces in a solidarity approach.

The Silk division is involved with many voluntary organisations. In 2016, many employees took part in a football tournament to sponsor “Sport dans la ville”, which works with children from disadvantaged areas. In addition, Holding Textile Hermès supports “Restaurants du Cœur” by paying a subsidy and developing exchanges with employees. Ateliers AS and Etablissement Textile Hermès have held charitable collections of food and toys. Finally, an active partnership with “Maison de la Danse” has offered a way to subsidise a number of youth-oriented projects. Forty employees took part in “Intro Danse”, a cultural exchange which introduces people to dance.

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.

Distribution network

In New York, a series of pilot sustainable development projects were carried out in 2016. The objective was to present sustainability actions carried out in their local community to the teams. This was illustrated notably by the viewing of an installation at the Museum of Modern Art featuring a provisional innovative structure designed to provide a response to environmental problems. An explanation was also given for the Hell's Kitchen Farm Project, an urban farm aimed at forging bonds and promoting well-being in the community. These immersive experiences served as a source of inspiration for the activities of sustainable development ambassadors in the stores.

In addition, Sustainable Development Week was an opportunity to launch a nationwide competition dubbed the H.O.P. Re-creation Contest, the aim of which was to link the principles embodied by petit H with the values of sustainable development. Each team was asked to submit examples of re-creations geared towards reducing waste in their daily lives. The winner, selected by Pascale Mussard, received a petit H prize. The subsidiary's key players gathered for a sustainable breakfast that saw the emergence of numerous ideas and suggestions, some of which are already under development.

In Asia, more than 20 sustainable development leaders from subsidiaries in China, Taiwan, Japan, Singapore, Paris, South Korea and Hong Kong met in Hong Kong in spring 2016 for a three-day conference on sustainable development strategy, where they shared experiences and

worked on common issues. This provided an opportunity for employees to visit the WWF Mai Po reserve in order to gain a better understanding of the importance of this unique paradise for migratory birds. It was also the opportunity to attend presentations of other WWF projects including sustainable food supply and the carbon reduction program for offices. The regional subsidiaries are deeply committed to sustainable development.

In Hong Kong, for instance, a large number of activities were organised in 2016. Sustainable development week was locally embraced, with workshops to raise awareness about well-being and the need to share with the community. Actions revolved around several projects, including a “green market” in the company’s premises to support local producers and promote organic food.

The Fondation d’Entreprise Hermès, through the internal H3 call for projects, allows employees volunteering with an NGO to advocate provision of 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 “Fondation d’Entreprise Hermès”).

2.6.2.2 Charitable operations

The House’s subsidiaries and sites supplement initiatives taken by the Fondation d’Entreprise Hermès by organising local charitable operations. Noteworthy achievements in 2016 were:

- ◆ in France, various initiatives, such as blood donations in partnership with the French blood bank, are now rooted in employees’ habits. “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 the same way as in France, the HOP subsidiary in the United States this year took the initiative of donating slightly used or outdated uniforms worn by sales associates. Several boxes of uniforms were given to associations helping people in the process of reintegrating a professional sphere. HOP also supported a local organisation, the Lower East Side Girl’s Club. The idea was to identify needs in respect of supplies for the school year. The list was sent to the employees, who responded with generous donations;
- ◆ in Taiwan, the subsidiary took part in various donations, notably to the “Taipei City Yangming Home” for the disabled. The initiative to partner with the Apple Daily newspaper was renewed in order to support poor families or children. Taiwan also supports the Boyo Social Welfare association;
- ◆ in Hong Kong, donations were made to “Food Angel”, an NGO involved in the fight against food waste and hunger in the region. Thus, unsold and leftover food from local retailers and restaurants was redistributed to disadvantaged communities in the form of hot meals. Volunteers from the office and stores also helped collect food left-

overs for “Bread Run”, the leading food bank for people in need. The subsidiary continued its support for “Lunch Club” with donations and employees helping out at this restaurant for people in difficulty;

- ◆ in India, the Hermès subsidiary chose to give 2% of its income (as required under Indian law) to the “News” NGO in 2016. News is active in the fight to protect nature, the environment and wildlife. The contribution was aimed at supporting aquaculture/fish farming development projects in Sundarban villages in the Bay of Bengal;
- ◆ some initiatives are supported by several of the subsidiaries worldwide. For example, the Earth Hour approach mobilised 56 stores in 2016, a significant number of which were in Asia. Organised at the initiative of WWF in the last week of March, it 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;
- ◆ “Carrés Solidaires” operations took place in Hong Kong, China, Luxembourg and the United Kingdom for the benefit of different associations, during which specially printed silk scarves are sold. These sales contribute to the development of these local organisations’ projects.

2.6.3 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 2016, the investors together pledged to invest a total of approximately €38 million in the Livelihoods fund.

The projects generate benefits 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 **mangroves**. 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 on women’s work;

- ◆ **access to rural energy** reducing 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 (from the name of the Instituto Trabaja 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 2016, the nine projects described above impacted the lives of over 1 million people, and contributed to replanting more than 120 million trees. They also help to compensate, on a voluntary basis, Hermès’ carbon emissions.

2.7 REPORT FROM ONE OF THE STATUTORY AUDITORS, DESIGNATED AS THE INDEPENDENT THIRD PARTY ORGANISATION, ON THE CONSOLIDATED SOCIAL, ENVIRONMENTAL AND SOCIETAL INFORMATION CONTAINED IN THE MANAGEMENT REPORT

2

This is a free translation into English of the Statutory auditors' report issued in the French language 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 auditing standards applicable in France.

Year ended 31 December 2016

To the shareholders,

In our capacity as Statutory Auditor of Hermès International appointed as an independent third party, and certified by COFRAC under the number 3-1060¹, we hereby report to you on the consolidated social, environmental and societal information for the financial year ended 31 December 2016, presented in the management report (hereinafter the "CSR Information"), in accordance with Article L. 225-102-1 of the French Commercial Code (*Code de commerce*).

RESPONSIBILITY OF THE COMPANY

The Executive Management is responsible for preparing a management report including CSR Information, in accordance with the provisions of Article R. 225-105-1 of the French Commercial Code (*Code de commerce*) and with the guidelines used by the Company (hereinafter the "Guidelines"), summarised in the management report, and are available on request at the Company's registered office.

INDEPENDENCE AND QUALITY CONTROL

Our independence is defined by regulatory texts, the code of ethics governing the audit profession and the provisions of Article L. 822-11-3 of the French Commercial Code (*Code de commerce*). We have also implemented a quality control system comprising documented policies and procedures for ensuring compliance with the codes of ethics, and applicable legal and regulatory texts.

STATUTORY AUDITOR'S RESPONSIBILITY

On the basis of our work, it is our responsibility to:

- ◆ certify that the required CSR Information is presented in the management report or, if omitted, that an explanation is provided in accordance with sub-paragraph 3 of Article R. 225-105 of the French Commercial Code (*Code de commerce*) (Statement of completeness of CSR Information);
- ◆ express limited assurance that the CSR Information, taken as a whole, is fairly presented, in all material respects, in accordance with the Guidelines (Reasoned opinion on the fairness of the CSR Information).

Our work was carried out by a team of six people, over approximately 15 weeks, between December 2016 and March 2017. We were assisted in our work by our specialists in corporate social responsibility (CSR).

We performed our work in accordance with the Order of 13 May 2013 which determines the provisions under which the independent third party performs its assignment, the professional practice of the French national auditing body (*Compagnie nationale des commissaires aux comptes*) relating to such engagements, and regarding the reasoned opinion of fairness, following the international ISAE 3000 standard².

1. Detailed information is available at www.cofrac.fr

2. ISAE 3000 - Assurance Engagements Other than Audits or Reviews of Historical Financial Information

1. CONFIRMATION OF COMPLETENESS OF CSR INFORMATION

Nature and scope of work

We obtained an understanding of the sustainable development policy, on the basis of interviews with the relevant heads of department, according to the social and environmental impact of the Company's activity, its societal commitments and any action or programmes related thereto.

We compared the CSR Information presented in the management report with the list stipulated in Article R. 225-105-1 of the French Commercial Code (*Code de commerce*).

In case of the absence of certain consolidated information, we verified that explanations were provided in compliance with the provisions of Article R. 225-105, sub-paragraph 3 of the French Commercial Code (*Code de commerce*).

We ensured that the CSR Information covers the scope of consolidation, *i.e.*, the Company, its subsidiaries as defined by Article L. 233-1 and the entities that it controls as defined by Article L. 233-3 of the French Commercial Code (*Code de commerce*), with the limits of the scope indicated in the "Correspondence table (Article 225-105)" contained in the management report.

Conclusion

Based on this work, and given the limitations mentioned above, we attest to the completeness of the required CSR Information in the management report.

2. REASONED OPINION ON THE FAIRNESS OF THE CSR INFORMATION

Nature and scope of work

We conducted approximately ten interviews with the people responsible for preparing the CSR Information in the departments charged with collecting the information and, where appropriate, the people responsible for the internal control and risk management procedures, in order to:

- ◆ assess the suitability of the Guidelines in light of their relevance, completeness, reliability, impartiality and comprehensibility, and taking best market practices into account when necessary;
- ◆ verify the implementation of a data collection, compilation, processing and control procedure that is designed to produce CSR Information that is exhaustive and consistent, and familiarise ourselves with the internal control and risk management procedures involved in preparing the CSR Information.

We determined the nature and scope of our tests and controls according to the nature and importance of the CSR Information in view of the characteristics of the Company, the social and environmental challenges of its activities, its sustainable development policy and best market practices.

For the CSR Information that we considered to be most important³:

- ◆ on the level of the consolidating entity and divisions or sites, we consulted documentary sources and conducted interviews to substantiate the qualitative information (organisation, policy, action), we followed analytical procedures on the quantitative information and verified, using sampling techniques, the calculations and the consolidation of the data, and we verified their consistency and concordance with the other information in the management report;

3. *Quantitative information: total number and breakdown of employees by geographic region, gender and age; recruitment and dismissals; frequency rate and severity rate of workplace accidents with stoppage; number of training hours; energy consumption by energy type; Water consumption of industrial sites.*

Qualitative information: health and safety conditions; training policies implemented; general environmental policy; measures for prevention, recycling, reuse, other forms of waste recycling and disposal; major sources of greenhouse gas emissions generated by operations, primarily through the use of goods produced and services provided; steps taken to preserve biodiversity; Company's impact on employment and regional development; inclusion of social and environmental issues in the purchasing policy; significance of subcontracting and consideration in relations with suppliers and subcontractors for their social and environmental responsibility.

- ◆ on the level of a representative sample of sites that we selected⁴ on the basis of their activity, contribution to the consolidated indicators, location and a risk analysis, we carried out interviews in order to verify the correct application of the procedures and performed detailed tests on the basis of samples, so as to check the completed calculations and to compare the data with the supporting documentation. The selected sample thus represents, on average, 22% of the workforce considered to be the characteristic variable of the social component and between 20% and 42% of the environmental data considered to be the characteristic variables of the environmental component.

For the other consolidated CSR Information, we assessed consistency based on our understanding of the Company.

Finally, we also assessed the relevance of the explanations given for any information that was not disclosed, either in whole or in part.

We believe that the sampling methods and sample sizes used, based on our professional judgement, allow us to express limited assurance; a higher level of assurance would have required more extensive verification work. As a result of the use of sampling techniques and other limitations intrinsic to the operation of any information and internal control system, we cannot completely rule out the possibility that a material irregularity has not been detected.

Conclusion

Based on our work, nothing has come to our attention that causes us to believe that the CSR Information, taken as a whole, is not presented fairly, in all material respects, in accordance with the Guidelines.

Neuilly-sur-Seine, 11 April 2017

One of the Statutory Auditors
PricewaterhouseCoopers Audit

Christine Bouvry
Partner

Sylvain Lambert
Partner, sustainable development department

4. Environmental information:

industrial department: Manufacture de la Haute Maroquinerie (Aix-Les-Bains - France, sector: Leather Goods); Joseph Énard (Noirmont - Switzerland, sector: Watches); Ateliers A.S. (Pierre-Bénite - France, sector: Textiles); ITH (Bourgoin-Jallieu - France, sector: Textiles); Les Tanneries du Puy (Le Puy-en-Velay - France, sector: Tanneries and Precious Leathers);

construction development department (11 stores): Store of Rome - Via Condotti, 67 - Rome (Italy), Store of Palermo - Via della Libertà, 35 - Palermo (Italy); Marunouchi (Japan) Midosuji (Japan), Ginza (Japan); Madison 691 (USA), Wall Street (USA); Masaryk (Mexico); Ipanema (Brazil);

Human Resources information: Hermès Services Groupe (a division of Hermès Sellier); Hermès Commercial (a division of Hermès Sellier), Maroquinerie de la Tardoire, Ganterie de Saint-Junien, Maroquinerie Nontronnaise (sites of the Hermès Leather Goods - Saddlery division in Nontron); Compagnie des Cuir Précieux, Tannerie d'Annonay, Tannerie de Montereau, Tannerie de Vivoin, Les Tanneries du Puy (sites of the Hermès Precious Leathers division).

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9.5.4 CSR CORRESPONDENCE 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
44-46	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)
46	Hiring and firing (in France, only for individual dismissals)
47-48	Compensation and trends (in France, only for incentives, shareholdings and employee support activities)
	Labour Organisation
48	Organisation of working time
48	Absenteeism (<i>in France</i>)
	Labour relations
49	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
51-55	Health, safety and working conditions
49	Record of agreements signed with trade unions or employee representatives on safety at work (<i>in France</i>)
53	Accidents at work, including their frequency and severity, as well as occupational illnesses (<i>in France</i>)
	Training
41-42	Policies implemented in training
41	The total number of training hours (<i>in France</i>)
	Diversity and equal opportunity/equal treatment
49-50	Policies implemented and measures taken in favour of equality between women and men
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49-50	Policies implemented and measures taken to combat discrimination
	Promotion and respect for fundamental conventions of stipulations concerning ILO:
55	♦ with respect to freedom of association and collective negotiation
55	♦ for the elimination of discrimination in employment and occupation
55	♦ for the elimination of forced or compulsory labour
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	Environmental information
	General environmental policy
38-40,63-80	Organisation of the Company to take into account environmental issues
	Evaluation approaches or certification for environmental issues
38-40,63-80	Training and awareness-building for employees regarding the environment
38-40,63-80	Funds allocated to the prevention of environmental risks and pollution
80	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
76-80	Measures for prevention, reduction or reclamation of emissions in the air, water and soil, severely affecting the environment
58-61	Measures for prevention, recycling, and waste disposal
79,80	Consideration of noise and other forms of pollution generated by a specific activity

Page	Heading
	Sustainable use of resources
65-66,69-75	Water consumption and water supply according to constraints (water consumption is published only on the scope of the industrial department)
56,58	Consumption of raw materials and measures to improve efficiency in their use
67-75	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>)
79	Land use
	Climate change
77-79	Release of greenhouse gases
63-79	Adapting to the consequences of climate change
	Protecting biodiversity
40,81,83-84	Steps taken to develop biodiversity
	Societal information
	Territorial, economic and social impact of the Company's activity
38-39,81	In terms of employment and regional development
38-39,81-82	On local populations
	Relations maintained with persons or organisations interested in the Company's activity
49	Conditions for dialogue with such persons or organisations
83-84	Actions of partnership or sponsorship
	Subcontracting and suppliers
38,61-62	Inclusion of social and environmental issues in the Company's purchasing policy
56	Significance of subcontracting and consideration in relations with suppliers and subcontractors for their social and environmental responsibility
	Loyalty of practices
55	Actions taken in support of human rights
34	Measures taken in support of the health and safety of consumers
	Other actions taken in support of human rights
55	Actions taken in support of human rights

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