

Press Release - 2010

In accordance with the AFEP/MEDEF Corporate Governance Code dated December 2008 HERMES INTERNATIONAL is disclosing information on all elements of the current and deferred remuneration of its Executive Chairmen.

• Remuneration and benefits in kind

Article 17 of the Articles of Association provides for each Executive Chairman to receive certain remuneration, together with possible additional remuneration, the maximum amount of which is determined by the Ordinary General Meeting with the unanimous approval of the active partners.

The gross annual remuneration of each Executive Chairman provided by the Articles of Association is capped at 0.20% of the Company's consolidated income before tax in the previous financial year.

Within the limits of the ceiling defined above, which for 2009 was €910,758, and for 2010 is €887,388, the Management Board of Émile Hermès SARL, the Active Partner, sets the actual amount of the annual remuneration payable to each Executive Chairman pursuant to the Articles of Association.

The Ordinary General Meeting of 31 May 2001 decided, in addition to the remuneration provided by the Articles of Association, to allocate gross annual remuneration to each Executive Chairman, at that time subject to a ceiling of €457,347.05. This ceiling is indexed each year, but it can only be adjusted upwards. Since 1 January 2002, the indexation has been calculated on the basis of the increase in the Company's consolidated sales in the previous financial year, at constant exchange rates and on the same scope of consolidation, by reference to sales in the financial year before last. Within the limits of the ceiling defined above, which for 2009 was €877,037, and for 2010 is €913,380, the Management Board of Émile Hermès SARL, as the sole Active Partner, sets the actual amount of the additional annual remuneration of each Executive Chairman.

Both the remuneration provided by the Articles of Association and the additional remuneration are in the nature of "variable" salaries since the calculation methods provided merely constitute ceilings subject to which the Active Partner is free to set the actual remuneration of the Executive Chairmen as it sees fit.

Thus, Executive Chairmen are not guaranteed any minimum remuneration.

In order to make it easier to understand the manner of calculation of the remuneration of the Executive Chairmen, the Company has always described their additional remuneration, before indexation, as "fixed remuneration", by analogy with market practices.

Mr Patrick Thomas proposed that the increase in the remuneration of Executive Chairmen for 2009 should be limited to 4%, and this proposal was adopted by the Management Board of Émile Hermès SARL at its meeting on 17 March 2009. In 2009, each Executive Chairman therefore actually received remuneration pursuant to the Articles of Association of €893,124, and additional remuneration of €796,260.

The Executive Chairmen also proposed that the increase in the remuneration of Executive Chairmen in 2010 be limited to 1.61%, and this proposal was adopted by the Management Board of Émile Hermès SARL at its meeting on 23 March 2010. In 2010, each Executive Chairman will therefore actually receive remuneration pursuant to the Articles of Association of €887,338, and additional remuneration of €829,256.

At the meeting of the Supervisory Board on 5 March 2010, the Compensation, Appointments and Governance Committee stated that it had been assured that the remuneration of Executive Chairmen was in accordance with the Articles of Association and with the decisions of the Active Partner.

Mr Patrick Thomas has a company car, which is his sole benefit in kind.

Mr Bertrand Puech, the legal representative of Émile Hermès SARL, does not personally receive any remuneration from Hermès International.

• Pension scheme

Mr Patrick Thomas is eligible for the top-up pension scheme set up in 1991 for the benefit of the company's senior executives. Under this scheme, an annual pension is paid which is calculated on the basis of years of service and annual remuneration, with these pensions representing a percentage of remuneration for each year of service.

Mr Patrick Thomas is also eligible for the supplementary defined-contribution pension scheme set up for the benefit of all employees of the Group's French companies. The maximum pension, including payments under the basic, top-up and supplementary schemes, cannot under any circumstance exceed 70% of the most recent annual remuneration (as provided by the Articles of Association plus additional remuneration). The base period used to calculate the benefits is three years. This scheme also provides for a survivorship pension of 60% for the benefit of the surviving spouse.

It is a fundamental condition of the pension regulations that in order to benefit from the scheme, beneficiaries must have reached the end of their professional career with the company and be eligible to draw pension benefits under the basic state Social Security regime.

• Deferred remuneration obligations

The Company has agreed to pay Mr Patrick Thomas an amount equal to 24 months' remuneration (the sum of his remuneration provided by the Articles of Association and additional remuneration), in the event that his appointment as Executive Chairman is terminated (decision of the Supervisory Board on 19 March 2008, approved by the Combined General Meeting on 3 June 2008).

This commitment is subject to the following performance conditions, so that the conditions governing his departure are in harmony with the Company's situation: the achievement of annual targets (sales and operating profit growth measured at constant exchange rates) in four of the last five financial years, with no deterioration in the Hermès brand image.

On 18 March 2009, the Supervisory Board decided that the payment of this amount would be subject to the termination of his appointment as Executive Chairman resulting:

- either from a decision of the Executive Chairman by reason of a change of control of the Company, a change in the Executive Chairman of the company Émile Hermès SARM, the Executive Manager of the Company, or a change in the strategy of the Company; or
- from a decision taken by the Company.

Furthermore, the amount of this payment will automatically be charged, as of right, to the amount of any other payment, particularly of a contractual nature, that might be due to Mr Patrick Thomas in respect of the termination of his currently suspended contract of employment. For the record, Mr Patrick Thomas was hired as an employee in August 2003, with reinstatement of his years of service with the Group in respect of the positions he held there from 1 April 1989 to 31 March 1997. This contract of employment was suspended when Mr Patrick Thomas was appointed to the position of Executive Chairman, on the understanding that it would automatically be revived upon the termination of his appointment as Executive Chairman.

No commitment has been made to Mr Patrick Thomas any deferred compensation in consideration for a non-competition undertaking.

In the light of the measures adopted and the terms and conditions of payment defined at its meeting on 18 March 2009, the Supervisory Board, acting on the recommendations of the Compensation Committee, did not deem it necessary to review the deferred remuneration commitment to Mr Patrick Thomas in respect of his years of service with the Group. The Supervisory Board confirmed this decision at its meeting on 24 March 2010.

• Options to subscribe and purchase shares -- Bonus shares

This paragraph only concerns Mr Patrick Thomas, in his capacity as the only Executive Chairman who is a natural person.

In 2008, no stock options were granted to Mr Patrick Thomas.

Mr Patrick Thomas was allocated 11,000 options to purchase Hermès International shares in 2008, subject to performance conditions.

Pursuant to the provisions of the Balladur amendment to the law for the development of profit-sharing and employee shareholding dated 30 December 2006, at its meeting on 23 January 2008, the Supervisory Board decided that Mr Patrick Thomas could not transfer more than 50% of the shares of the Company resulting from stock subscription and purchase options prior to termination of his appointment as Executive Chairman.

No performance shares were allocated to Mr Patrick Thomas in 2009.

At its meeting on 18 March 2009, the Supervisory Board decided that:

- The number of stock options allocated to an Executive Chairman could not exceed 10% of the total number of stock options awarded, and that it could represent no more than 20% of the total remuneration of that Executive Chairman.
- In the event that an Executive Chairman was the beneficiary of a stock option or bonus share plan, the Compensation Committee would ensure that:
 - the Company satisfied on or more of the conditions stipulated by Articles L. 225-186-1 and L. 225-197-6 of the French Commercial Code;
 - the plan would be subject to meeting performance conditions.

This decision was confirmed on 20 January 2010.

- **Contract of employment**

Mr Patrick Thomas was hired as an employee in August 2003, with reinstatement of his years of service with the Group in respect of the positions he held there from 1 April 1989 to 31 March 1997. This contract of employment was suspended when Mr Patrick Thomas was appointed to the position of Executive Chairman, on the understanding that it would automatically be revived upon the termination of his appointment as Executive Chairman.

The Supervisory Board took the view that Mr Patrick Thomas was not obliged to abandon his contract of employment upon his appointment as Executive Chairman, as his permanent appointment could be revoked at will and that he had successfully carried out his duties as an employee over an extended period of time well before his appointment to his corporate office.

The Company's corporate governance practices and all components of the Executive Chairmen's remuneration will be set out in detail in the Company's 2009 Reference Document.