



Hermès Forests Policy

Introduction and context

"Nature has been inspiring us since 1837. Protecting biodiversity is a wonderful opportunity. We must pass on this wealth to future generations. It's a challenge we must win today "

Axel Dumas, Executive Chairman of Hermès

Hermès is an independent company backed by family shareholders. Its strategy is based on three pillars: creation, craftsmanship and an exclusive, balanced distribution network. Since 1837, the Group has remained true to its values of freedom, demanding craftsmanship savoir-faire, authenticity and responsible growth. Its integrated craftsmanship business model places quality and sustainability at the centre of its priorities.

The Group's sustainability strategy, translated through its sustainable development framework, accords great importance to the natural world. Natural ecosystems, at the heart of Hermès inspiration, provide many of the raw materials from which our objects are crafted. They are at the root of our policies and commitments to building a more sustainable world. The development of Hermès' activities, respectful of local environments and ecosystems, requires the preservation of biodiversity. The biodiversity-related initiatives of the House are founded on major international frameworks and comply with strict standards, ensuring harmony with nature, which is so deeply appreciated, used responsibly, protected, and restored.

The importance of preserving forests

Forests are key ecosystems for the survival of countless species, providing shelter for over 80% of the planet's terrestrial biodiversity by offering a multitude of habitats¹. They act as carbon sinks, regulate water and air quality, protect soils, and reduce erosion. Their role in mitigating climate change is crucial, and their ability to store this carbon in the long term depends on their preservation and their good health.

Furthermore, forests are a crucial environment for many indigenous populations and local communities, which rely on them for their subsistence, energy and medicinal needs (1.5 billion people). The preservation of forest resources is essential to ensuring the well-being of these populations¹.

All forest ecosystems around the world are currently under threat, primarily as a result of climate change and its consequences: droughts, fires, proliferation of pests and diseases, etc.. In this context, these ecosystems struggle to fulfil their many roles. These phenomena are further exacerbated by human activity: forest degradation, deforestation, and the conversion of natural ecosystems, in the broadest sense, particularly for agricultural use.

Our role in strengthening the protection of these ecosystems

Hermès is fully aware of its role in preserving ecosystem services. The House crafts products (leather bags from cattle farming, wooden furniture made from various tree species, perfumes and other beauty products made with plant-based oils and their derivatives, etc.) that originate, directly or indirectly, from natural ecosystems. Since its creation, Hermès has done its utmost to source materials following strict standards, in accordance with regulations and best practices, and based on the following principles:

- The selection of exceptional supply chains, privileging locally sourced materials, as close as possible to its production sites (for example, in 2024, 55% of objects were produced in its own exclusive workshops);
- Respect for human rights and fundamental freedoms;
- Environmental protection, and particularly respect for and the preservation of biodiversity.
- Animal welfare.

Hermès' policy is based on a voluntary approach aimed at meeting the very highest existing standards in light of associated risks, and working to help these standards progress by placing ever greater importance on respect for

¹ United Nations: The Global Forest Goals Report 2021

human beings² and all forms of life. Its commitments, beyond the SBTN initiative³, are also reflected in the Group's policies, such as the Group Responsible Procurement Policy and the Animal Welfare Policy, and in their operational variations through CSR briefs, supply chain briefs, and the Code of Conduct for suppliers⁴. In the frame of its Responsible Procurement Policy, Hermès aims, among other things, to safeguard biodiversity and the ecosystems affected by the activities of the Group's suppliers.

Hermès undertakes to respect human rights, fundamental freedoms, the health and safety of individuals, and environmental protection. To that end, a policy and concrete actions are implemented, as outlined in its vigilance plan.

Hermès' sustainable development strategy is recognised by the international initiatives *Act4Nature International* and *It's Now For Nature (Business for Nature)*. The House has also made commitments beyond its direct sphere of influence with its investment in Livelihoods funds and actions in the frame of the Foundation entrepreneur Hermès in favour of biodiversity⁵.

Through this Forests Policy, Hermès wishes to formalise further its ambition to reduce its impact on natural ecosystems, particularly forests ecosystems, and the communities that depend on them.

² The Universal Declaration of Human Rights; the The Charter of Fundamental Rights of the European Union; the principles of the United Nations International Labour Organisation; the guidelines of the OECD (Organisation for Economic Co-operation and Development).

³ Science Based Targets for Nature (SBTN) is a five-step approach that enables companies to understand their impacts and dependencies on nature, set science-based targets with clear timelines (steps 1-3), develop robust action plans (step 4), and monitor and disclose their progress (step 5). Hermès has also committed to a science-based climate pathway and a net-zero target for 2050.

⁴ All these policies are available on the website <https://finance.hermes.com>

⁵ <http://www.fondationdentreprihermes.org/fr/programme/biodiversite-ecosystemes>

Principles and commitments of the Forests Policy

Scope

This policy (hereinafter the "Forests Policy") applies to the entire Hermès Group and all procurement fields as well as to all its suppliers, and concerns the following raw materials:

- Leather from cattle farming:
- Wood products (Solid wood, wood panels, paper, cardboard, viscose and cellulose) for Hermès products, packaging, stores and workshops, logistics and textiles.
- Natural rubber:
- Palm oil and its derivatives:
- Soy (Oil and its derivatives).⁶

Hermès have identified these raw materials as at greater risk in terms of deforestation and the conversion of natural ecosystems.

Hermès is committed to implementing the actions required to ensure that, by 2026, all activities across its value chain comply with the regulations in force⁷ in the countries where they take place, as well as with the commitments made in this policy. The production, exploitation, and extraction of the aforementioned raw materials may contribute to the degradation of different natural ecosystems. Hermès participates in the fight against the destruction and degradation of forests, as well as the protection of associated natural ecosystems that may be directly affected by its operations. Indeed, forests, as defined by the FAO⁸, are not the only major ecosystems under threat, with many deforestation fronts moving towards other natural environments. This policy also aims to protect specific ecosystems such as savannah, peatland, and mangroves⁹.

Beyond this scope, all raw materials used by Hermès are subject to a reasoned due diligence process aimed at analysing, preventing, and, where necessary, mitigating the social and environmental risks associated with their production.

⁶ The share of indirect soy, comprising meal and protein used in livestock feed (External procurement) for leather production will be addressed at a later date. It is important to note that Hermès sources its bovine hides exclusively from animals bred in Europe, which have diets containing only a minimal proportion of imported soy.

⁷ REGULATION (EU 2023/1115 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 31 May 2023 Chapter 2 40)

⁸ The Food and Agriculture Organisation (FAO) is a specialized agency of the United Nations that leads international efforts to defeat hunger. The FAO defines a forest as land spanning more than 0.5 hectares (5,000 m²) with a canopy cover of more than 10%. A tree is defined as a perennial plant with a single stem (or several if cut back) of a mature height of at least five metres.

⁹ Hermès uses the [definitions of the AFI](#) concerning forests and natural ecosystems

Hermès' commitments

Hermès continues its actions and the implementation of appropriate measures to:

- 1) Source, by 2026, from supply chains that are free from deforestation and conversion, as of the cut-off date of 31/12/2020¹⁰, for raw materials within the scope of this policy;
- 2) Pursue its commitments to respecting the Human Rights of all stakeholders present throughout its supply chains;
- 3) Restore and, wherever possible, remedy any proven prejudices (environmental or social) directly linked to the production of its raw materials and/or directly caused by its operations.

In concrete terms, Hermès implements a policy that aims to ensure that the raw materials it procures are produced responsibly, in line with the Group's commitments, its vigilance plan, and the regulations in force regarding due diligence.

In detail, the Group is committed to:

- Ensure compliance with all legislation governing the production of these raw materials, as well as national and international laws relating to forests and land use;
- Make every effort to avoid sourcing from areas in production countries within its value chains that have been deforested, converted, or degraded, especially those classified as High Conservation Value (HCV) or High Carbon Stock (HCS) areas. In practical terms, this means that raw materials produced in areas where natural ecosystems and forests have been converted after 31/12/2020 are deemed non-compliant with Hermès' commitment and cannot enter the Group's supply chains;
- Prohibit the acquisition and sale of species listed as Endangered and/or Critically Endangered by the International Union for Conservation of Nature (IUCN Red List);
- Comply with the rules of the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES);
- Not use illegal or prohibited chemical products;
- Not use genetically modified products in its production;
- Ensure that the rights, health, and safety of workers, farmers, and smallholders are respected, protected, and guaranteed throughout its value chains, in accordance with the provisions of the International Labour Organisation (ILO) and OECD Guidelines, particularly those aimed at eradicating child labour and forced labour, as defined in our Code of Ethics;
- Recognise and respect the rights of Indigenous Peoples and local communities in line with the principle of Free, Prior and Informed Consent (FPIC), which must be obtained before undertaking any activity likely to impact their livelihoods.

By 2030, based on assessments conducted across all its supply chains, Hermès aims to:

- 1) Extend the scope of this policy to include other raw materials;
- 2) Explore investment opportunities beyond its supply chains to accelerate sectoral changes and support conservation and restoration projects at the landscape and/or jurisdictional level.

¹⁰ For a given ecosystem, sector, or certification standard, Hermès may use an earlier recognised cut-off date;

Implementation of commitments

Through the implementation of action plans, Hermès undertakes to monitor and measure the progress of its commitments and the degree of compliance across the six operational dimensions presented below. Each raw material is subject to a detailed action plan through Hermès supply chain briefs¹¹.

Ensure the traceability of Hermès supply chains

Hermès identifies all the raw material's stakeholders, including production, harvesting, and extraction, and obtains complete visibility across the entire chain at each stage of product transformation (stakeholders, locations, and responsibilities) in order to ensure compliance with its undertakings.

In the frame of its vigilance plan and this Forests Policy, Hermès:

- Regularly identifies, analyses, and assesses environmental, social (health and safety), and ethical (Human Rights and anti-corruption) risks associated with the production/exploitation/harvesting of the raw materials covered by this Forests Policy. The actions undertaken and supplier requirements adopted by Hermès are adapted to the risk identified according to a robust analysis methodology and regular stewardship.
- Implements audit and monitoring plans among its suppliers to assess with greater precision and/or mitigate any identified risks or confirmed impacts.

Sustainable management of supply chains

To ensure compliance with its commitments, Hermès:

- Communicates the Group's commitments to its suppliers (CSR Brief, Supply Chain Brief, Responsible Procurement Policy, and Supplier Code of Conduct) and analyses their performance.
- Reinforces its due diligence system and supports suppliers in achieving goals through specific awareness-raising initiatives, action plans, and long-term partnerships, etc. All our direct and indirect suppliers concerned undertake to adhere to these commitments as soon as possible, and guarantee, no later than 2026, to source solely from supply chains that are not responsible for deforestation and conversions, as of the cut-off date of 31/12/2020 ¹², for the raw materials covered by this scope.
- Requires its suppliers to ensure 100% certified sourcing (FSC for wood, LWG for leather, RSPO for palm oil, etc.). The type of certification and label depends on the level of associated risk and the raw material concerned. Hermès may also accept alternatives to certification, depending on the nature of the material and the country. In this case, additional audits are set up.
- Incorporates recycled materials in the frame of a circular economy approach (for example, for several years now, the cardboard used to make our orange boxes and the paper used to produce our orange shopping bags contain respectively 100% and 40% of recycled fibres, in a closed circuit or sourced within a 250 km radius of the processor).
- Measures its land footprint and biodiversity footprint (in the frame of the Act4Nature initiative) in order to scale its supply chain strategies and, wherever possible, contribute to the preservation and restoration of ecosystems through investments in projects in line with its impact on the ground.
- Supports innovative and positive solutions such as regenerative farming, continuous-cover mixed forestry, agroforestry, and social innovation projects.

¹¹ <https://finance.hermes.com>

¹² For a given ecosystem, sector, or certification standard, Hermès may use an earlier recognised cut-off date;

- Trains and supports its employees, particularly its buyers' community, on issues related to supply chains and the various solutions available to ensure compliance with the Group's undertakings.

Hermès has implemented a reporting system - H Alert¹³- accessible to all its employees and stakeholders. This system enables the management of reports related to the supply chains. Hermès undertakes to protect whistle-blowers in accordance with French and European legislation (prohibition against retaliation towards whistle-blowers who report in good faith and compliance with Hermès reporting procedure).

Communicate results and adjust commitments

The Forests policy will be updated to take account of changes in regulations and the Group's ambitions. The Group will communicate regularly on its actions and adherence to its commitments, as required by certain regulations and whenever changes require it. Hermès will also communicate about changes in monitoring indicators developed to ensure compliance with its undertakings.

Ensure an ongoing dialogue with our stakeholders

Beyond the actions undertaken in its supply chains, Hermès actively participates in sectoral coalitions and initiatives (in order to promote and accelerate change and a transition to more sustainable models, end deforestation, restore natural ecosystems, and respect for human rights). Hermès participates, among others, in the working groups of EpE, Afep-Medef, Global Compact France, UNFCCC, Textile Exchange, and LWG. Since 2016, Hermès has built a technical partnership with WWF France focused on science-based approaches and the challenges faced by nature in our supply chains.

Furthermore, Hermès maintains an ongoing dialogue with its stakeholders and regularly exchanges with civil society players to better understand their expectations regarding ecosystem preservation and respect for the rights of populations.

Measurement and monitoring of commitments

To ensure the implementation and oversight of its commitments, Hermès has implemented dedicated governance. The Executive Vice President for Corporate Development and Social Affairs and the Managing Director for Upstream and Equity Investments - both members of the Hermès Group Executive Committee- review annually the progress made in implementing the ambitions defined above. The Group Direct Procurement Coordination Department, the Group Sustainable Development Department, and the Sustainability Managers of the relevant métiers are responsible for the practical implementation of the Group's strategy and coordinate its execution.

This monitoring of compliance is part of the Group's general internal control system, which ensures:

- compliance with laws and regulations;
- adherence to the instructions and orientations set by General Management;
- the correct functioning of the company's internal processes, particularly those aimed at safeguarding its assets and ensuring the safety and security of people and property;
- the reliability of financial information and, in general, the sound management of its activities, operational efficiency, and the effective use of its resources.

Throughout commercial relationships, Hermès sets up control measures for its suppliers, which may include the following measures:

¹³ <https://report.whistleb.com/fr/hermes-alerte>

- CSR performance assessments carried out via questionnaires and analysed by buyers or independent third parties;
- inspections and audits conducted by the Group Direct Procurement Coordination Department or independent third parties;
- targeted progress plans developed jointly following these exchanges, visits and/or audits;
- support for strategic Partners in improving their environmental, social, and ethical practices, particularly to obtain labels and certification. These various stages and the associated performance indicators are monitored by the Group's governance bodies and reported in the sustainability report.

Hermès continues to develop tools designed to monitor and verify compliance with its commitments. Cross-cutting and supply-chain-specific indicators that form part of the scope of this policy will enable the monitoring of compliance with Hermès' commitments over time, sector by sector.

Definitions

Procurement

Term used by Hermès to distinguish between internal procurement conducted directly by Hermès and external procurement by its suppliers, which directly affects the raw material purchased by Hermès (for example: soy is considered to be procurement) Source: *HERMÈS*

CITES

Convention on International Trade in Endangered Species of Wild Fauna and Flora.

Source: *CITES*

FPIC

Free, Prior and Informed Consent (FPIC) is the principle whereby a community has the right to grant or withhold its consent to proposed projects that may affect the land they own, occupy, or customarily use. Free, Prior and Informed Consent is a clearly established international human rights standard and a key principle in international law and jurisprudence relating to indigenous populations. Source: *Definition of the Forest Stewardship Council, Challenges and Prospects for Indigenous People (FPP, June 2007)*

Local communities

A group of interacting individuals living in a specific environment and location, sharing common concerns regarding local infrastructure, services, and the local environment, which may at times fall outside traditional or state-defined definitions. These communities may attribute deep cultural, historical, and spiritual significance to land and natural resources, seeing them as sources of culture, history and identity and/or rely on them to sustain their livelihoods, social organisation, culture, traditions, and beliefs. Local communities may be legally or customarily referred to by various terms, such as “traditional communities”. Like indigenous populations, they may use and manage natural resources. Source: *Free, Prior and Informed Consent Guide for Roundtable on Sustainable Palm Oil (RSPO) Members*

Conservation

Conservation of the natural heritage refers to the protection, upkeep, management, and maintenance of ecosystems, habitats, wildlife species, and populations, whether inside or outside of their natural environment, in order to safeguard the natural conditions for their long-term survival. Source: *IUCN*

Conversion

Transformation of a natural ecosystem into another land use or a significant alteration in the composition, structure, or function of the species of a natural ecosystem.

- Deforestation is one form of conversion (conversion of natural forests).
- Conversion includes severe degradation or the introduction of management practices that result in a substantial and lasting change to the ecosystem's species composition, structure, or function.
- Any modification of natural ecosystems that meets this definition is considered a conversion, whether legal or not. Source: *AFI*

Cut-off date:

Cut-off date from which deforestation or conversion renders a given production area or unit non-compliant with zero-deforestation or zero-conversion commitments. Source: *AFI*

Deforestation

Loss of natural forest as a result of: (i) conversion to agriculture or other non-forest land use; (ii) conversion to a tree plantation; or (iii) severe and sustained degradation. *Source: AFI*

Explanatory notes

1. Includes the permanent reduction of vegetation cover below the minimum threshold of 10%.
2. Includes forest areas converted to agriculture, pasture land, water reservoirs, mines, and urban areas.
3. The term explicitly excludes areas where trees have been removed due to harvesting or logging, and where the forest is expected to regenerate naturally or through forestry management measures.
4. The term also includes areas where, for example, the impact of disturbances, overexploitation, or changing environmental conditions affect the forest to such an extent that it can no longer regenerate sufficiently to maintain a canopy cover above the 10% threshold.

Degradation

Changes within a natural ecosystem that significantly and negatively impact the composition, structure, and/or function of species and reduce the ecosystem's ability to produce products, support biodiversity, and/or deliver ecosystem services. *Source: AFI*

Due diligence

Risk management process implemented by a company to identify, prevent, mitigate, and account for how it manages environmental and social risks and impacts in its operations, supply chains, and investments. *Source: AFI*

Deforestation fronts

Regions presenting a high concentration of deforestation "hotspots" where significant areas of forest are under threat. More than 43 million hectares have been lost on these fronts between 2004 and 2017, namely an area roughly equivalent to the size of Morocco. *Source: WWF – Deforestation fronts report*

HCS

The HCS (High Carbon Stock) methodology identifies forest areas that should be protected in priority due to the large quantity of carbon they store. *Source: The HCS approach Toolkit*

HCV

The HCV (High Conservation Value) methodology identifies forests that are of particular interest in terms of biodiversity and/or economic and/or cultural importance. *Source: Common Guidance for the Identification of High Conservation Values*

IUCN Red List

The IUCN Red List is the world's most comprehensive inventory of the global conservation status of plant and animal species. It is based on a set of precise criteria used to assess the extinction risk of thousands of species and subspecies. These criteria apply to all species and all regions of the world. *Source: International Union for Conservation of Nature*

Whistle-blowing/reporting system

The term refers to the Hermès Group's reporting system, whereby alerts from employees and stakeholders can be submitted to management, particularly situations that may constitute human rights violations related to companies, allowing concerns to be raised and remedies to be sought.

Restoration

The act of restoring the structure, productivity, and presumed diversity of species of the forest initially present on a site. (Over time, the ecological processes and functions of the restored forest will closely resemble those of the original forest). *Source: UNEP World Conservation Monitoring Centre website*

Ecosystem services

Ecosystem services are the benefits that people derive from ecosystems. These services include supply services such as food and water; regulating services such as flood and disease control; cultural services such as spiritual, recreational, and cultural benefits; and supporting services, such as nutrient cycling, that maintain the conditions for life on Earth. *Source: Millennium Ecosystem Assessment*

Traceability

The ability to track a product or its components throughout the stages of the supply chain (for example, production, processing, manufacturing, and distribution). *Source: AFI*