



Hermès Forest Policy

Nature is at the very heart of the inspiration that drives Hermès, providing many of the materials we use to make our objects. It motivates and informs our policies and the commitments we make for a sustainable world. At Hermès, we develop our activities with respect for local environments and ecosystems, which involves safeguarding biodiversity. Hermès anchors its action to reduce its biodiversity footprint in major international frameworks and stringent standards, with the aim of working in harmony with nature—appreciating, preserving, restoring and using it with care.

Introduction and background

The importance of preserving our forests

Forests are crucial ecosystems for the survival of many species, providing a habitat for over 80% of the planet's land-based biodiversity¹. They store carbon, regulate water and air quality, protect soil and reduce erosion. They also play a key role in mitigating climate change, but their ability to store carbon in the long term is dependent on human efforts to conserve them and keep them healthy.

Beyond their role in regulating the climate, forests are a key environment for many local and indigenous populations (1.5 billion people) who depend on them for what they need in terms of food, energy and medicine. It is essential that we preserve forest resources in order to ensure the wellbeing of these populations².

Every forest ecosystem in the world, at every latitude, is currently under threat, primarily due to climate change and its multiple consequences: droughts, wildfires, increasing numbers of pests and diseases, and more. This is the background against which these ecosystems are struggling to fulfil their many different roles. These phenomena are accentuated by deforestation³ and forest degradation caused by human activity, which affect a growing number of ecosystems.

In a public report published in January 2021, the NGO WWF warned that, despite the collective efforts of countries and of public and private sector actors to limit deforestation, it persists as an increasingly serious problem all over the world⁴. Between 1990 and 2020, 420 million hectares – nearly 10% of the planet's forests – were lost to deforestation,⁵ with more than 90% of this area located in tropical regions. The main cause of deforestation at global level is agricultural development⁶.

¹ United Nations: The Global Forest Goals Report 2021

² United Nations: The Global Forest Goals Report 2021

³ Loss of a natural forest as a result of: i) conversion to agriculture or other non-forest land use; ii) conversion to a plantation; or iii) severe or sustained degradation (AFI, Accountability Framework Initiative). It is characterised by forest degradation, representing the alteration of the forest's qualities, such as biodiversity or ecosystem services, for example.

⁴ WWF Deforestation Fronts Report: https://www.wwf.org.uk/sites/default/files/2021-01/Deforestation%20frontsorld_full_report_0.pdf

⁵ Global Forest Resources Assessment 2020, FAO

⁶ WWF Deforestation Fronts Report: https://www.wwf.org.uk/sites/default/files/2021-01/Deforestation%20frontsorld_full_report_0.pdf

Our role in enhancing the protection of these ecosystems

Hermès is conscious of its role in preserving forest ecosystem services. Indeed, many of the products of natural origin manufactured and marketed by Hermès (bags, furniture, fragrances, etc.) come directly or indirectly from forests, which has an impact on these ecosystems and how they are managed.

Guided by the model and values of craftsmanship, Hermès has done everything in its power since 1837 to carefully select materials with respect for regulations and best practices, and in accordance with the following fundamental principles:

- The selection of supply chains of exceptional quality that favour local sources situated as close as possible to their manufactures (vertical integration: 55% of objects are made in our in-house, exclusive workshops);
- Respect for human rights and fundamental freedom;
- Environmental conservation, respecting and safeguarding biodiversity in particular;
- Animal welfare.

Hermès' policy is based on a voluntary approach that aims to respect the highest existing standards with regards associated risks, and to work to develop these standards, with increasing consideration of how we can respect human rights⁷, animals and the environment. Beyond the SBTi⁸ pathway and its alignment with SDG 15⁹, the Group's commitments are firstly written into its policies, such as the Group Purchasing Policy and Animal Welfare Policy. They are then implemented on an operational level in our CSR and sectors briefs for suppliers¹⁰.

Hermès is committed to respecting human rights, fundamental freedoms, the health and safety of individuals and environmental protection. To achieve this, Group-wide policy governs our coordinated actions, as detailed in our vigilance plan.

Hermès demonstrates commitment to promoting biodiversity through its contributions to the Act4Nature initiative – of which it is a signatory –, its investment in the Livelihoods funds, and the actions it takes within the framework of the Fondation d'entreprise Hermès¹¹.

To ensure that its ambitions are put into practice, Hermès has introduced the following governance: the Executive Vice-President Corporate Development and Social Affairs and the Executive Vice-President Manufacturing Division & Equity Investments, together with members of the Hermès Group's Executive Committee, conduct an annual review of how the ambitions defined above are progressing. They are supported by the Direct Purchasing Department, the Group's Sustainable Development Department and the Heads of Sustainable Development within each of the affected métiers.

Hermès wishes to use this Forest Policy to further formalise its ambition to reduce its impact on natural ecosystems, particularly forest ecosystems, and on the populations who depend on them.

⁷ The Universal Declaration of Human Rights; the Charter of Fundamental Rights of the European Union; the principles of the International Labour Organization of the United Nations; the guiding principles of the Organisation for Economic Co-operation and Development (OECD).

⁸ The Science Based Targets initiative (SBTi) is a joint initiative by CDP, the United Nations Global Compact (UNGC), the World Resources Institute (WRI) and the World Wildlife Fund (WWF). Its role is to support companies in the definition of GHG emissions reduction targets in line with scientific recommendations, to keep global temperature rises below 1.5°C. Within this framework, Hermès has redefined its targets and these have been validated by the SBTi initiative, with a 50.4% reduction of absolute scope 1 and 2 emissions and a 58.1% reduction of scope 3 emissions intensity (per € million gross profit) over the 2018–2030 period. Hermès has also committed to an SBTi 2050 net-zero initiative.

⁹ Hermès has aligned its ambitions with the United Nations Sustainable Development Goals (SDGs), and SDG 15: "Life on land" in particular.

¹⁰ All of these policies are available on the website: <https://finance.hermes.com>

¹¹ <https://www.fondationdentreprisehermes.org/en/program/biodiversity-ecosystems>

Principles and commitments set out in the Hermès Forest Policy

Scope

This policy relating to forests (hereinafter the "Forest Policy") is applicable to the Hermès Group as a whole, and to all of its purchasing areas that handle the following raw materials (for ingredients or packaging), between now and 2025/2030:

Priority raw materials – 2025 commitments compliance

- Leather from cattle farming;
- Timber used in products for the Maison business line (solid wood furniture and objects) and the manufactures (frames, cladding and interior finishes);
- Paper/cardboard used in Hermès product packaging, factories and retail outlets (orange box, POS materials, printing paper, etc...);
- Natural rubber;
- Palm oil and its derivatives;
- Viscose and cellulose (textile), and
- Soy used to feed farm animals (external purchasing).¹²

These raw materials have been prioritised based on analysis of the social and environmental risks associated with their production methods, their weight within Hermès supply chains, and the Group's capacity to take action.

Secondary raw materials – 2030 commitments compliance

- Timber for the production of fibreboard and chipboard;
- Roots, bark, wood, leaves, flowers, seeds, fruits, resins or gums involved in the manufacturing of fragrances and cosmetics;
- All other leathers of animal origin.

By targeting these materials, Hermès hopes to combat the destruction and alteration of forests, as well as the whole related natural ecosystem of trees and shrubs, which is also under pressure. In fact, according to the FAO¹³, forests are not the only important ecosystems under threat, as certain deforestation fronts are moving towards other ecosystems, such as the savannah. This policy also aims to protect specific ecosystems such as forested and non-forested peatlands, and mangroves¹⁴.

¹² It is important to note that all Hermès cow leathers come from animals that are bred in Europe and whose dietary intake contains only a low proportion of imported soya.

¹³ The Food and Agriculture Organization (FAO) is the specialist United Nations agency leading international efforts to eliminate hunger. The FAO defines a forest as "land spanning more than 0.5 hectares with trees higher than 5 meters and a canopy cover of more than 10 percent, or trees able to reach these thresholds in situ", and a tree is defined as "a woody perennial with a single main stem, or in the case of coppice with several stems, having a more or less definite crown".

¹⁴ The reference Hermès uses is the WWF classification of natural habitats, which include: boreal forests, temperate broadleaf deciduous forests, subtropical evergreen forests, Mediterranean evergreen forests, monsoon forests, savannahs, savannahs and light forests, tropical deciduous forests, tropical evergreen forests, mountain forests, and mangroves.

The Hermès commitment to the world's forests

With regards its priority raw materials¹⁵, Hermès will strive to adopt the appropriate measures required to achieve the following targets by 2025:

- 1) From the reference date of 31/12/2019¹⁶, source the raw materials used in all of the Hermès Group's products and packaging from deforestation-free supply chains;
- 2) Continue to comply with its due diligence obligations and ensure that human rights are respected by parties involved in its supply chains and within the rigorous framework of its vigilance plan;
- 3) Restore and remedy all proven environmental and social damage directly linked to these raw materials and directly caused by its activities.

In concrete terms, Hermès implements a policy with the strong ambition to ensure that the raw materials it purchases are responsibly produced, in accordance with the Group's commitments and respecting the following criteria:

Regulations

- Legal production and respect for the laws applicable in the country of production, as well as for international law.

Environment

- No deforestation, conversion or degradation of natural ecosystems, particularly in High Conservation Value (HCV) and High Carbon Stock (HCS) areas;
- No burning, clearance, exploitation of peatlands, regardless of their depth (in accordance with the NDPE principles of "No Deforestation, No Peat and No Exploitation");
- No acquisition or sale of species classed as endangered and/or critically endangered by the International Union for Conservation of Nature (IUCN);
- Respect for the rules of the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES);
- Promotion of agro-ecological farming models;
- Promotion of nature-based forestry models (limited use of clearcutting, use of continuous cover forestry, etc.);
- No use of illegal or banned chemicals;
- No use of genetically modified products;

Social responsibility and human rights

- Respect for the rights and health & safety of workers, farmers and smallholders;
- Recognition of and respect for the rights of indigenous populations and local communities, according to the Free, Prior and Informed Consent principle (FPIC).

By 2030, Hermès aims to:

- 1) Expand the scope of its actions to secondary raw materials;
- 2) Explore investment opportunities beyond its supply chains to accelerate sector transitions and fund conservation and restoration projects across entire landscapes and/or jurisdictions. Hermès will be responsible for the decision of whether to make these investments.

¹⁵ The detailed action plans associated with these commitments are included in the sectors brief.

¹⁶ With the exception of raw materials for which the sector in question uses an earlier reference date.

Implementing and monitoring commitments

Hermès undertakes to implement action plans in order to steer and measure the progress of its commitments and its degree of compliance, using six operational dimensions, as outlined below. Each raw material is covered by an action plan, as detailed in the Hermès sectors brief.

Ensuring the traceability of Hermès supply chains

Hermès continues the inventory of operators right through to a material's extraction/production regions, and to gain full oversight of the entire value chain, at each stage of the transformation of different products (actors involved, geographic location and responsibility).

Continuing to analyse risks and impacts

- Hermès regularly identifies, analyses and evaluates the environmental, social (health and safety) and ethical (human rights and anti-corruption) risks associated with the production/extraction/harvest of the raw materials covered by this Forest Policy. The actions Hermès has committed to take and the supplier requirements it has defined will be adapted to the risk level identified, using a robust analysis method and regular controls.
- Hermès implements an auditing and monitoring plan with its suppliers to reduce potential and/or proven risks.

Sustainably managing supply chains

- Supplier commitments: Hermès communicates the Group's commitments to its suppliers (via its CSR Brief, Sectors Brief, Purchasing Policy, etc.) and analyses their performance. The "due diligence" system will be strengthened and suppliers will be supported to achieve their targets, through training, long-term partnerships, etc.
- Compliant sources: Hermès demands 100% certified sourcing from its suppliers, with the type of certification and label dependent upon the level of risk associated with the raw material in question. Hermès may also accept alternatives to certification, depending on the raw material and the country, and – for certain regions where relevance will be evaluated in advance – additional audits will be arranged.
- Footprints: Hermès makes every effort to continue measuring its footprint in order to effectively scale its sourcing strategies and to invest in projects with the aim of contributing as much as possible to conserving and restoring ecosystems in step with its real impact.
- Innovative and positive solutions: Hermès supports regenerative agriculture and projects that showcase social and agroforestry innovations.
- Training: Hermès employees and certain Group suppliers working on this subject are able to benefit from dedicated training and support. Members of the Monitoring Committee also benefit from awareness-raising on this subject during dedicated training sessions.

Measuring and verifying the fulfilment of commitments

- Hermès has tools available for verifying compliance with its commitments

- Hermès has implemented a reporting management mechanism called H Alert¹⁷, which is open to all employees and stakeholders. This mechanism allows the Group to handle reports relating to its supply chains. Hermès is committed to protecting whistle-blowers in accordance with the provisions of French and European law (prohibiting reprisals against whistle-blowers who act in good faith and adhere to the Hermès reporting procedure).

Communicating results and adjusting commitments

The Forest Policy will be updated to take into account any changes to the Group's regulations and ambitions. The Group will circulate regular reports on its actions and how it is fulfilling its commitments.

Ensuring constant dialogue with our stakeholders

Hermès does all it can to maintain constant dialogue with all of its stakeholders.

¹⁷ <https://report.whistleb.com/en/hermes-alerte>

Definitions

External purchases

Term used by Hermès to distinguish between the internal purchases made directly by Hermès and external purchases made by its suppliers and directly impacting the raw material purchased by Hermès (e.g. soy is considered an external purchase) Source: HERMES

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 according to which a community has the right to give or withhold its consent to proposals that may affect the lands it customarily owns, occupies or otherwise uses. Free, prior and informed consent is a clearly established international requirement in terms of individual rights, and a key principle of international law and jurisprudence affecting indigenous peoples. Source: *Forest Stewardship Council definition; Challenges and Prospects for Indigenous Peoples (Forest Peoples Programme, or FPP, June 2007)*

Local communities

A group of people interacting with each other and living in a specific environment and location, who share common concerns regarding local facilities, services and environment, and which may at times depart from traditional or State definitions. These communities may attach particular meaning to land and natural resources as sources of culture, customs, history and identity, and depend on them to sustain their livelihoods, social organisation, culture, traditions and beliefs. Local communities may be recognised in law or according to customary practice, or referred to using various terms, such as "traditional communities". Like indigenous peoples, they may use and manage natural resources. Source: *Free, Prior and Informed Consent Guide for Roundtable on Sustainable Palm Oil (RSPO) Members*

Conservation

The conservation of natural heritage refers to the protection, care, management and maintenance of ecosystems, habitats, wildlife species and populations, within or outside of their natural environments, in order to safeguard the natural conditions for their long-term persistence. Source: IUCN

Conversion

Change of a natural ecosystem to another land use or profound change in a natural ecosystem's species composition, structure, or function.

- 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 sustained change in the ecosystem's former species composition, structure, or function.
- Change to natural ecosystems that meets this definition is considered to be conversion regardless of whether or not it is legal. Source: AFI

Clearcutting

French National Forest Inventory: in forest management, this refers to the clearing of all the trees on a plot of land. Within the definition of clearcutting, Hermès distinguishes final cutting carried out in the high forest method, which describes the harvesting of mature trees. According to the French National Forestry Organisation (ONF), final cutting is part of a gradual process, known as regenerative cuts. Specifically, this is a series of cuts performed in a forest to

allow seeds and young seedlings to push through beneath large trees, thereby establishing a younger forest. Final cutting comes at the very end of the forestry cycle, occurring after the work to remove and thin out seedlings or plants, after thinning (or improvement) cuts, seed and secondary cuts, which are repeated successively throughout the forest's lifetime.

Cut-off date:

The reference date after which deforestation or conversion renders a given area or production unit non-compliant with zero deforestation or zero conversion commitments, respectively. *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 green cover below the minimum threshold of 10%.
2. Includes forest areas converted to agriculture, pasture, water reservoirs, mines and urban areas.
3. The term specifically excludes areas where trees have been removed as a result of a harvest or logging operation, and where it is expected that the forest will regenerate naturally or with the help of silvicultural measures.
4. The term also includes areas where, for example, the impact of disturbances, over-exploitation or changing environmental conditions affects the forest inasmuch as it can no longer regenerate to the point where it cannot maintain cover above the 10% threshold.

Degradation

Changes within a natural ecosystem that significantly and negatively affect its species composition, structure, and/or function and reduce the ecosystem's capacity to supply products, support biodiversity, and/or deliver ecosystem services *Source: AFI*

Due diligence

Risk management process implemented by a company to identify, prevent, mitigate and report on the way in which it addresses risks and environmental and social impacts in its operations, supply chains and investments. *Source: AFI*

Deforestation fronts

Places that have a significant concentration of deforestation hotspots and where large areas of remaining forests are under threat. Over 43 million hectares were lost in these fronts between 2004 and 2017, an area roughly the size of Morocco. *Source: WWF – Deforestation Fronts report*

HCS

The HCS (high carbon stock) methodology identifies the forest areas that must be protected as a priority in view of the large quantity of carbon they store. *Source: The HCS Approach Toolkit*

HCV

The HCV (high conservation value) methodology identifies forests of 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 most complete worldwide inventory of the status of the global conservation of plant and animal species. It is based on a series of exact criteria for evaluating the extinction risk of thousands of species and sub-species. These criteria apply to all species and all regions of the world. Source: *International Union for Conservation of Nature*

Reporting/alert management mechanism

This term is used to refer to the Hermès Group's reporting mechanism, whereby employees and stakeholders can report grievances to management and, in particular, can declare and demand redress for situations connected to companies that may be in violation of human rights.

Restoration

The action of re-establishing the presumed structure, productivity and species diversity of the forest originally present at a site. (Over time, the ecological processes and functions of the restored forest will closely match those of the original forest). Source: *UNEP World Conservation Monitoring Centre website*

Traceability

The ability to follow a product or its components through stages of the supply chain (e.g., production, processing, manufacturing, and distribution). Source: *AFI*