

FENDI SOCIO-ENVIRONMENTAL MONITORING PROGRAM

As a brand operating in the luxury segment, FENDI's supply chain is founded on the long-lasting collaboration with a large number of small suppliers, mostly located in Italy, on which FENDI can rely to deliver high level of artisanship and craftsmanship.

However, excellence and quality cannot be achieved without traceability, transparency and safety.

We are strongly committed to avoiding the risk of modern slavery and environmental breaches along our supply chain, and we require all our suppliers to sign the FENDI Code of Conduct. Since 2012, as an additional security measure, FENDI has implemented a second-party monitoring program, relying on Bureau Veritas' expertise to verify that suppliers embed exemplary social and environmental policies.

AUDIT METHODOLOGY

To date, FENDI Monitoring Programme involves all the main product categories, namely: Leather Goods, Footwear, RTW and Accessories.

The audit plan is defined on a six-month basis and updated monthly according to the needs of the production divisions and/or special events.

With a view to increasingly accurate traceability of the supply chain, these audits involve suppliers of finished product and processing facilities, and are also extended to the second level of the supply chain.

All audits are semi-announced and on the field: the supplier is only notified of the week of the audit with a 10 days' notice. The exact day(s) of the audit or its duration are not disclosed.

The audits to which FENDI subjects its suppliers aim at monitoring the compliance, by the whole supply chain, with the values indicated in the FENDI Code of Ethics and in the Supplier Code of Conduct, signed by the suppliers during the engagement phase. In addition to this, suppliers are required to comply with legislative requirements.

In conducting FENDI audits, FENDI employs a checklist of 125 questions, aligned with the best industry standards (e.g. SMETA), aimed at verifying regulatory requirements and good practices in the following areas, common to the LVMH Group:

- **SOCIAL:** aspects related to working conditions, i.e.: child, forced or irregular labour; health and safety; freedom of association; non-discrimination; mistreatment and abuse; working hours and pay.
- **ENVIRONMENTAL:** regulatory compliance in terms of consumption, atmospheric emissions, water supply and discharge, waste management.
- **TRANSPARENCY:** information on the management of any subcontractors.
- **COLLABORATION:** availability and collaboration of the supplier during the audit and commitment to correct any non-conformities.

SUPPLIERS' PERFORMANCE ASSESSMENT

Nonconformities may be raised against the violation of a requirement deriving from applicable legislation or the FENDI Code of Ethics. Depending on the type of violation committed, nonconformities may be considered minor, major or critical:

- **Minor nonconformities:** suggestions and observations for the suppliers' continuous improvement.
- **Major nonconformities:** moderate breaches of labour or environmental regulations, having no critical impact on workers or the environment.
- **Critical nonconformities:** significant breaches of labour or environmental regulations; lack of collaboration and transparency by the supplier.

All suppliers subject to the audit receive a Corrective Action Plan (CAP) to be informed about the result of the audit. With the CAP, FENDI supports the company in the development and implementation of any corrective actions to be taken, highlighting the areas to be improved and setting the time frame within which to resolve the non-compliance.

The verification of the actual implementation of corrective actions takes place in different ways depending on the seriousness of the non-conformities: through a desktop review of the documentation or through a follow-up audit on the field within 3, 6 or 9 months from the initial audit. The aim is to monitor the progress of the supplier over a maximum period of three years.

A supplier is rated based on the number and severity of nonconformities found during the audit and can be classified as: *best practice*, *acceptable*, *improvement needed* and *zero tolerance*.

On a six-month basis, FENDI organizes alignment sessions with its Business Units to evaluate the performance of the suppliers and assess the status of implementation of remediation plans. As an example, during the last alignment session held in March 2021, 58% of all suppliers, including the second level of the supply chain, who received a follow up audit in 2020, had completed the remediation plan, while 42% were still in process of implementing corrective actions.

In line with the objectives of the LVMH LIFE project, FENDI is committed to ensuring that a minimum of 80% of its supply chain is composed of suppliers involved in the socio-environmental monitoring process, in order to only foster collaborations with suppliers who are compliant with FENDI's ethical, social and environmental requirements.

FENDI COVID-19 RESPONSE

Italy has been hit hard by the Covid-19 pandemic, and FENDI has been joining forces with other LVMH's Italian Maisons to help stem the spread of the virus, support communities and sustain its supply chain in this delicate situation.

Since the first weeks of the sanitary emergency, FENDI has given support to health authorities and the medical personnel on the front lines, providing financial support for the Lombardy region and sending over 145,000 surgical masks to Lombardy, Tuscany and Italian Civil Protection. FENDI had more than 4,000 hospital suits made by one of its suppliers and delivered to the Bergamo hospital, one of the hardest hit by the pandemic.

With regards to its supply chain, in collaboration with other Maisons in the LVMH Group FENDI analysed its suppliers list to identify companies in need of a more substantial support. Among actions taken, FENDI reviewed order volumes, shared the new forecast with suppliers to support the production planning decision making and offered advance payments to suppliers who requested it.

In case of orders already finalised by suppliers but not yet shipped, payments were still executed despite FENDI's production break. Less than 5% of orders were cancelled in 2020 during the Covid-19 outbreak, but after the restart of the production activities these were fully reinstated and the volume of the orders increased. No discount on the orders was requested to suppliers and all payments were processed in accordance with previously agreed terms.

With regards to how the Covid-19 pandemic impacted on FENDI's employees, thanks to the social security cushions offered by the Italian Government and with the contribution of FENDI, no workers were laid off during the Covid-19 emergency as they benefitted of timely redundancy payments.

Same treatment has been reserved to FENDI's suppliers, as more than 95% of FENDI's supply chain is located in Italy.

In order to ensure the health and safety throughout its ecosystem, with the restart of production activities after the spring 2020 lockdown FENDI carried out an activity with the aim to verify suppliers' implementation of internal Covid-19 prevention measures, supporting them in improving measures when necessary and highlighting best practices adopted.

This activity involved 57 key Tier 1 suppliers of the RTW, Fur, LGs, Shoes and Kids business units. Their protocols were checked by FENDI Quality inspectors and by auditors of the auditing firm Bureau Veritas during announced visits, and assessed against a 13-sections checklist based on the Italian Government measures and on FENDI Safety Protocol, covering:

- Access procedures
- Workplace norms of conduct
- Sanitisation of the workspace
- Shifts / Work-from-Home
- Home – work commuting
- PPE used.

Protocols were rated according to their alignment with the checklist (*Full, Partial, Poor*): results were very satisfactory and showed great awareness and proactivity by suppliers with regards to the adaptation to the Covid-19 pandemic.