

# FENDI

## 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 a 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 regular Auditing Program to verify that suppliers embed exemplary social and environmental policies. The audit program relies on a semi-annual risk assessment covering the entire chain of active suppliers. Moreover, to strengthen its commitment on responsible procurement, in 2021 FENDI integrated some additional activities into its Monitoring Program: our suppliers have to follow an onboarding procedure by creating a supplier profile on the Vendor Onboarding platform, a tool which allows FENDI to preliminary verify supplier's compliance from the outset of the partnership.

## ORGANIZATIONAL MODEL PURSUANT TO LEGISLATIVE DECREE 231/2001

In line with its commitment to ethical conduct and legal compliance, FENDI has adopted an Organizational, Management and Control Model pursuant to Italian Legislative Decree 231/2001. This comprehensive model defines the procedures and internal controls aimed at preventing and detecting ethical and regulatory violations, with particular reference to phenomena such as illegal labour intermediation ("caporalato") under Article 603-bis of the Italian Criminal Code. This framework reinforces our dedication to legality and responsible business practices across all operations, including our supply chain.

## AUDIT METHODOLOGY

To date, FENDI's Auditing Program involves all the main product categories, namely: Leather Goods, Footwear, RTW and Accessories.

The audit plan is defined a bi-annual base and detailed semi-annually, with regular updates according to modification in the FENDI Supply Chain and to specific needs raised by the business.

**Audits are always unannounced.**

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

The audit plan and the audit type is defined by the Internal Control function according to the analysis of the Risk Assessment.

**Fendi S.r.l.**

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The audits to which FENDI subjects its suppliers aim at monitoring the compliance, by the whole supply chain, with legislative requirements and 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 conducting its audits, FENDI employs the LVMH Social checklist and, according to the supplier's sector activity and dimension, a supplementary LVMH Environmental checklist can be employed. The checklists are aligned with the best industry standards existing (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

Non conformities may be raised against the violation of a requirement deriving from applicable legislation or the LVMH Code of Conduct. Depending on the type of violation committed, nonconformities may be considered minor, major or critical:

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

A supplier is rated based on the number of non conformities found during the audit and can be classified as: satisfactory, need improvement, need major improvement, unacceptable.

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.

To pursue the objectives of having a Supply Chain which complies with the highest standards of Ethics and Social Responsibility, Business relationships with suppliers which are rated unacceptable are immediately suspended. A follow-up review could be planned within a week. If Critical non conformities are not solved in such timeframe, the business relationship is ended.

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The verification of actual implementation of corrective actions, for suppliers which rating is Need Improvements or Need Major Improvements, 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 or 6 months from the initial audit. The aim is to monitor the progress of the supplier over a maximum period of two years.

If the supplier does not show availability to manage the NC detected and implement the corrective actions suggested, working relationships with FENDI are ended.

In that case, FENDI policy is to practice a responsible exit procedure to make purchasing decisions that avoid any negative impact on the supplier by taking into consideration the following steps:

1. Directly contact the supplier in order to better understand the reasons behind its denial to implement the corrective actions suggested and to see if a compromise (i.e. by negotiating a new timeline in order to implement the CAP) can be found.
2. Analyze the number of orders placed with the supplier, duration and history of the business relationship and other relevant information before taking action to avoid any harm of business for the supplier.
3. Have a second verbal exchange with the supplier to communicate our intention to end the collaboration and clarify a clear timeline for the exit. The timeline could be different based on the proportion of the percentage volume we have within the factory but in general we inform the supplier at least 3 or 6 months in advance.
4. If the potential risk of a negative outcome harming the supplier's workers is high, especially when a large percentage of capacity is withdrawn from a factory, we grant the supplier more time to find new clients.

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. In line with the objectives of the LVMH LIFE project, FENDI is committed to ensuring that minimum 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 requirement.

