



*Animal-based
Raw Materials
Sourcing Charter*

LVMH

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Raw Materials
Sourcing Charter*

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INTRODUCTION

Natural raw materials are precious to LVMH. They are at the core of our Maisons' exceptional products. To ensure the quality of these raw materials, the Group strives for excellence with ambitious commitments that respect both the planet and the people who work throughout the supply chain.

LVMH has been engaged in protecting the environment for more than twenty-five years. In 2012, this commitment was given an even more tangible form in the LIFE program (LVMH Initiatives For the Environment). One of the significant targets of this program concerns the **supply chains for the natural animal materials** used by our Maisons and their designers. The LVMH group and its Maisons are thus committed to working with top quality raw materials that are **produced in a responsible manner and to combining ethics with respect for the environment.**

To achieve the Group's ambitions in this area, and to make further progress while building on the efforts made over the past decades, the Group and its Maisons are reaffirming their engagement through an **ambitious Animal-based Raw Materials Sourcing Charter**. This Charter defines concrete commitments for progress that are classified into three pillars and regulate sourcing of **fur, leather, exotic leather, wool and feathers** for both the medium and long term:

- traceability of origin and in-depth knowledge of the supply chains;
- farming and trapping conditions addressing animal welfare as an urgent priority;
- respect for workers, the environment and biodiversity throughout the different stages of each of the animal-based supply chains.

Along with the environmental targets the LVMH group has previously set, the Charter's commitments are based on a sound scientific approach that is regularly updated in order to integrate the latest developments in knowledge. **Pilot projects and research projects** led by LVMH will complement this scientific research. They will then be assessed by a **dedicated multidisciplinary Scientific Committee** composed of independent experts who are external to the Group.

LVMH believes that by addressing the environmental and ethical issues faced by the fur, leather, wool and feather industries through clearly structured and framed supply chains, the Maisons, their designers and their partner suppliers will be empowered to perpetuate the know-how and creative crafts that have been passed on through generations.

TRACEABILITY

ENSURE VISIBILITY ALONG
THE WHOLE SUPPLY CHAIN

*Our commitment towards comprehensive traceability
is a prerequisite to ensuring respect for people, animal welfare
and preservation of the environment.*

CURRENT ACHIEVEMENTS AND AMBITIONS

- Ambition to achieve full transparency in our animal-based raw materials supply chains. Thanks to the **integration of exclusive value chains** (for crocodilian skins or vicuña wool, for example) and conservation agreements governed by CITES, our Maisons have a **good knowledge of the country of origin for most of the raw materials** they purchase.
- Work with stakeholders to **identify, investigate and implement new tools** (documentary, physical or scientific) to improve traceability (e.g. mass balance, book and claim, chain of custody or segregation):
 - once audited, rely on existing traceability tools provided by our partners;
 - work with suppliers and partners to develop or improve a bespoke traceability tool for every supply chain, going all the way back to the farm, herder, trapper or hunter.

COMMITMENTS BY 2020

- Know the animal's country of origin in respect of 100% of the fur, leather, feather and wool raw materials purchased by our Maisons.
- Trace back all Maisons suppliers and their subcontractors.

These two commitments will provide our customers with complete assurance that responsible social and environmental requirements, animal welfare, and species conservation are respected.

COMMITMENTS BY 2025

- Continue to provide full knowledge of the animal's country of origin for 100% of the fur, leather, feather and wool raw materials purchased by our Maisons.

- Adopt the most appropriate means of traceability for each raw material along the entire supply chain, ensuring visibility all the way back to the farm when relevant.
- Identify the material hotspots along the supply chain via a thorough due diligence process.

Examples of objectives by raw material:

- **farmed fur:** maintain or achieve access to traceability all the way back to the farm, for 100% of pelts;
- **bovine/ovine leather:** work with the sector to develop a mass balance or chain of custody tool to ensure responsible practices along the entire supply chain, from farm to market;
- **merinos, mohair and cashmere wool:** ensure, via a segregation or chain of custody tool, that our Maisons obtain their supplies only from responsible farmers or herders.

ANIMAL HUSBANDRY & TRAPPING

CO-CREATE AND INNOVATE
TO RAISE THE STANDARDS FURTHER WITH REGARDS
TO FARMING AND TRAPPING CONDITIONS

It is our responsibility to ensure the wellness of animals that are raised or trapped for the unique materials they provide. In order to supplement our sourcing scheme with contributions from scientific third parties, we comply with demanding certifications and standards encompassing a wide range of criteria. Our aim is to obtain concrete guarantees related to animal welfare, covering every stage of the animal's life from birth to end of life.

CURRENT ACHIEVEMENTS AND AMBITIONS

- Integrate the “Animal Sourcing Principles”⁽¹⁾ into contractual relationships with suppliers, including criteria such as respect for the five freedoms set out by the OIE (World Organisation for Animal Health) and respect for endangered species.
- Source exclusively from farms respecting animal welfare via either certified or audited processes or strong capacity building programs.
- Encourage sourcing from regulated trapping supply chains where it is scientifically proven that the offtake is sustainable for animal species and provided animal welfare is respected.
- Continue working on research projects with experts, veterinarians and scientists to explore more sustainable practices, while also investing in research and innovation in order to investigate new raw materials that meet the same requirements in regard to environmental and human conditions.

(1) The ASP (Animal Sourcing Principles) is a Charter co-written with the global non-profit organization BSR (Business for Social Responsibility) in 2016. It deals with respect for specifications regarding animal welfare (respect for the five freedoms set out by the OIE and respect for endangered species).

COMMITMENTS FOR 2020

- **End supplies** from value chains that do not ensure sufficient visibility and/or have not been willing to improve welfare practices for animals (a list of targeted species or regions will be reviewed twice a year to take into account the latest improvements or deteriorations in value chains).
- Where relevant animal welfare and protection certification standards exist:
 - continue to increase the proportion of raw materials sourced with the highest standards by achieving a **minimum of 70% of raw materials purchased from certified farmers or trappers**;
 - sponsor annual **third-party shadow audits** on a sample of already certified operations for proof monitoring.
- Where relevant animal welfare and preservation certification standards do not yet exist:
 - collaborate with industry initiatives in order to create new assurance standards;
 - provide **third-party auditing on farms/processing facilities**, applying the strongest existing standards when segregated traceability is achievable;
 - provide **capacity-building initiatives via sensitisation or training activities** (set up by LVMH and/or their peers) to players that cannot be certified or audited so as to help them adopt more sustainable practices.

COMMITMENTS FOR 2025

- Reach the **LIFE 2020 target of achieving the best standards for 100% of the Maisons' strategic raw materials in 2025** by certifying the latter with already existing or yet to be developed standards.
- Where animal welfare and protection certification standards do not yet exist:
 - where segregated traceability is achievable, ensure that third parties perform audits based on the **most stringent existing standards on all farms/processing facilities** on a 36-month cycle, beginning in 2025;
 - where only chain of custody or mass-balanced traceability is achievable, **continue capacity-building initiatives or training activities** set up by LVMH and/or their peers.

Examples of objectives by raw material:

- **farmed fur**: increase the proportion of certified furs to 100% and continue to implement annual third-party shadow audits on sample operations designated for additional monitoring by LVMH;
- **exotic skins**: increase the proportion of certified crocodilian suppliers to 100% by 2020, both from Heng Long and from other tanneries, and continue capacity-building initiatives or training activities for suppliers dealing with pythons, snakes or lizards;
- **wool**: ensure that 100% of our wool is certified according to official standards and implement shadow audits (by the Group and by external parties) on sample farms/processing facilities.

PEOPLE & ENVIRONMENT

ENSURING RESPECT FOR PEOPLE AND PROTECTING THE ENVIRONMENT

Behind every natural raw material – animal or vegetal – people and the environment are at work. We are committed to ensuring that peoples' rights, working conditions and communities are respected throughout the supply chain, and to preserving the environment and its biodiversity.

CURRENT ACHIEVEMENTS AND AMBITIONS

People

- Pursue long-term collaborations with local partners and communities of farmers and trappers to sustain livelihoods. Support skill improvement and contribute to the preservation of ancestral skills across generations.

Example: LVMH initiated a partnership in 2019 with UNESCO's Man and Biosphere Programme to establish a scientific basis for the improvement of relationships between people and their environments.

- Ensure that our suppliers know and respect the LVMH Supplier Code of Conduct, and in particular that their working conditions and remuneration practices respect or exceed all local laws and the ILO (International Labour Organization) Declaration. Work with partners to go beyond and switch from minimum wage to a fair and living wage.

- Continue to protect people's health (employees' and customers') by maintaining a stringent protection policy on chemical management with the help of the LVMH RSL (Restricted Substances List). Our membership of ZDHC (Zero Discharge of Hazardous Chemicals) is also an asset in this respect.

Environment

- Reduce the environmental impact of the tannery processes by encouraging LWG certification (or equivalent) for all sites.

- Improve farming practices including water and land management (desertification and deforestation).

- Assess the environmental impact of the materials used in our Maisons' creations through biodegradability studies of transformed natural products and comparative environmental Life Cycle Analyses in collaboration with our partners (e.g. Fur Europe, WALDB and CIRAIG) to decrease the latter.

- Ensure sustainable offtake and support conservation of wild species: no use of species listed in CITES Appendix I or of endangered species listed by the IUCN.

The Group is involved in research projects with external experts, such as the IUCN-SSC CSG (Crocodile Specialist Group), SARCA (South East Asian Reptilian Conservation Alliance) for the preservation of vicuna in South America.

COMMITMENTS FOR 2020

People

- Work with our partners to **develop livelihood studies and initiatives for farming and trapping communities.**
- **Implement social audits** on suppliers (tiers 1 and 2) within the program launched by the Group to make sure that the LVMH Supplier Code of Conduct is followed and that our suppliers are as demanding with their subcontractors as we are with them.
- Work with tanneries and dressers to improve their subcontracting **working conditions and remuneration practices**, to encourage them to go beyond local laws and the ILO Declaration. Top priority will be given to major tanneries.

Environment

- Certify ovine, bovine and caprine tanneries against the LWG standard for **70% of hides sourced by our Maisons.**
- Work actively with suppliers, local partners and initiatives from experts/universities in order to **combat and adapt responsibly to climate change and biodiversity imbalance** (in particular: deforestation, desertification, hydric stress and conservation issues) linked to animal husbandry.
- **Implement environmental audits** on suppliers (tiers 1 and 2) within the program launched by the Group.
- **Continue to ensure sustainable use of species** by using no species listed in CITES Appendix I or flagged as endangered by the IUCN and by participating in conservation initiatives.

COMMITMENTS FOR 2025

People

- Pursue past efforts and go beyond by defining an ambitious target for improved working conditions and fair remuneration for employees of our suppliers. Target to be defined by 2020 after evaluation of current status.
- Pursue past efforts and go beyond by defining an ambitious target for improving livelihoods in farming and trapping communities. Target to be defined by 2020 after evaluation of current status.

Environment

- Work with suppliers and farmers to improve farming practices and feed management, the aim being to **achieve zero net deforestation and desertification and to stop supplies from areas under high hydric stress** until improved water management can be demonstrated.
- Reach the LIFE 2020 target of achieving the best standards for 100% of the Maisons' strategic raw materials in 2025 by certifying, auditing or improving via ambitious capacity building initiatives the processing of fur, leather, wool and feathers at each step of the supply chain.

Examples of objectives for reducing the environmental impact of processing raw materials:

- certify all tanneries supplying the Maisons against the LWG standard (or equivalent) to reduce the environmental impact of our supplying and owned tannery processes;
- source raw materials from dressers and dyers certified by FurMark or LWG;
- source wool from supply chains that provide environmental guarantees.

GLOSSARY

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| ASP | Animal Sourcing Principles |
| Book and claim | The book and claim traceability system does not seek to have traceability at each stage in the supply chain. Instead, this model relies on the link between the volumes of the certified material produced at the beginning of the supply chain and the amount of certified product purchased at the end of the value chain. (Source: BSR) |
| BSR | Business for Social Responsibility |
| Certification | Formal procedure by which an accredited or authorized person or agency assesses and verifies (and attests in writing by issuing a certificate) the attributes, characteristics, quality, and qualification of procedures or processes, in accordance with established standards. |
| Chain of custody | The product segregation model implies that certified materials and products are physically separated from non-certified materials and products at each stage along the value chain. This ensures that certified and non-certified materials and products are not mixed and that the end product comes from a certified source. At the end, consumers know that 100% of their products consist of certified materials. (Source: BSR) |
| CIRAIG | International Reference Center for the Life Cycle of Products, Processes and Services |
| CITES | Convention on International Trade in Endangered Species of Wild Fauna and Flora |
| CITES Appendices | The species covered by CITES are listed in three Appendices, according to the degree of protection they need. Appendix I includes species threatened with extinction. Trade in specimens of these species is permitted only in exceptional circumstances. Appendix II includes species not necessarily threatened with extinction, but in which trade must be controlled in order to avoid utilization incompatible with their survival. Appendix III contains species that are protected in at least one country, which has asked other CITES parties for assistance in controlling the trade. (Source: CITES) |
| ILO | International Labor Organization |
| ILO Declaration | Adopted in 1998, the Declaration commits member states to respect and promote principles and rights in four categories, whether or not they have ratified the relevant conventions. These categories are: freedom of association and the effective recognition of the right to collective bargaining, the elimination of forced or compulsory labor, the abolition of child labor and the elimination of discrimination in respect of employment and occupation. (Source: ILO) |
| IUCN | International Union for Conservation of Nature |
| IUCN SSC CSG | IUCN Species Survival Commission – Crocodile Specialist Group |
| LCA | Life Cycle Assessment |
| LIFE | LVMH Initiatives For the Environment |
| LVMH Supplier Code of Conduct | The LVMH Supplier Code of Conduct is a tool sent to all Maisons’ partners to ensure that they share a set of common rules, practices and principles with respect to ethics, social responsibility and protection of the environment. |

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| LWG | Leather Working Group |
| MAB Program | The Man and Biosphere Program develops the basis within the natural and social sciences for the rational and sustainable use and conservation of the resources of the biosphere and for the improvement of the overall relationship between people and their environment. It predicts the consequences of today's actions on tomorrow's world and thereby increases people's ability to efficiently manage natural resources for the well-being of both human populations and the environment. (Source: UNESCO) |
| Mass balance | <p>With the mass balance traceability model, certified and non-certified materials can be mixed. However, the exact volume of certified material entering the value chain must be controlled and an equivalent volume of the certified product leaving the value chain can be sold as certified.</p> <p>This is common for products and commodities where segregation is very difficult or impossible to achieve such as for cocoa, cotton, sugar and tea. Customers may not know whether their specific share of the product contains certified or non-certified materials or a mixture of both. Claims of "product contains x% of certified ingredients" can be made. (Source: BSR)</p> |
| OIE | World Organization of Animal Health |
| RSL | Restricted Substances List |
| SARCA | South-East Asian Reptilian Conservation Alliance |
| Segregation | The product segregation traceability model implies that certified materials and products are physically separated from non-certified materials and products at each stage along the value chain. This ensures that certified and non-certified materials and products are not mixed and that the end product comes from a certified source. At the end, consumers know that 100% of their products consist of certified materials. There are two segregation models to traceability: bulk commodity and identity preserved (IP). (Source: BSR) |
| Standard | Written definition, limit, or rule approved and monitored for compliance by a professional or recognized body as a minimum acceptable benchmark. Standards may be classified as (i) government or statutory agency standards and specifications enforced by law, (ii) proprietary standards developed by a firm or organization, and (iii) voluntary standards established by consultation and consensus and available for use by any person, organization, or industry. |
| UNESCO | United Nations Educational, Scientific and Cultural Organization |
| WALDB | World Apparel and Footwear Lifecycle Database |
| ZDHC | Zero Discharge of Hazardous Chemicals |

For more information, please contact:
contact_environment@lvmh.fr

LVMH – 22, avenue Montaigne – 75008 Paris – France
Tel.: +33 (0)1 44 13 22 22 – www.lvmh.fr

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