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Sustainable luxury:
a multi-brand analysis
within the LVMH Group

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Introduction

In an era where environmental consciousness and social responsibility are paramount, and there is an increasing awareness of sustainability issues, luxury brands are starting to place sustainability as the core of their strategic plans. This thesis explores the sustainability initiatives of the LVMH Group as a whole, followed by a careful analysis of three Made in Italy Maisons of the Group, respectively Fendi, Bulgari, and Acqua di Parma, belonging to three different sectors (Fashion and Leather Goods, Jewelry and Watches, and Fragrances and Cosmetics), and the sustainable practices they are adopting to promote sustainability and to contribute to a more responsible future.

It is a comprehensive analysis of the strategies adopted by these brands, their effectiveness, and implications, making a comparison among them and analyzing the different approaches the brands adopt towards sustainability. The goal is to understand how these brands face sustainability and the impacts their strategies have towards the environment, the society, and the brand's market positioning.

In the following chapters, there will be an initial understanding of what sustainability is and how it is applied to the luxury market (Chapter 1), followed by an introduction to the luxury market and the LVMH Group (Chapter 2). Finally, there is the analysis of the three Maisons of the Group and their sustainability commitments (Chapter 3), and a respective comparative analysis covering the strengths and weaknesses among their approaches (Chapter 4). The aim of the thesis is to show how important is the impact that a large and influential market, such as that of luxury, has on the economy and the environment, and demonstrate that luxury and sustainability can coexist, enhancing one another.

Chapter 1: Sustainability and Sustainable Development

1.1 Concept of Sustainability

In 1983, the World Commission on Environment and Development was created by the United Nations to explore the interaction between environmental conservation, economic growth, and social justice. The commission had been then run by the former Norwegian prime minister Gro Harlem Brundtland. In 1987, it was by the Brundtland Commission that sustainable development got its most widespread definition as "development that meets the needs of present generations without compromising the ability of future generations to meet their own needs"¹. It assumes that resources are finite, therefore they should be used carefully to make sure there are enough for future generations, without compromising the present quality of life. This portrayal stands as the most frequently embraced explanation for identifying what makes development sustainable. It sheds light on our responsibility as present generations towards managing the Earth, its offerings, and its inhabitants to guarantee a lasting future. However, extending beyond this narrative in a simple way, sustainability encompasses an understanding where economic steadiness, environmental harmony, and societal equity must coexist together in tranquility; this concept is referred to as "the three pillars of sustainability"².

a) Environmental sustainability is the ability to protect and preserve the environment over time through appropriate practices and strategic policies, to meet the present needs without compromising the future availability of resources. It involves the reduction of greenhouse gas emissions, in sectors such as industry, agriculture, transportation and power generation, implementing measures to conserve biodiversity, enhancing the production and utilization of energy derived from renewable resources and energy efficiency measures, adopting sustainable agricultural practices and food chain, raising public awareness, and involving communities on the issue of environmental sustainability, and promoting circular economy. Conservation and reasonable

¹ United Nations, Department of Global Communications, "*What is sustainable development*", https://www.un.org/sustainabledevelopment/wp-content/uploads/2023/08/SustDev_Explainer.pdf, accessed February 16, 2024.

² Enel Group, "The 3 pillars of sustainability: environmental, social and economic", <https://www.enel.com/company/stories/articles/2023/06/three-pillars-sustainability>, accessed February 16, 2024.

management of natural resources, including water, soil, forests, wildlife, and natural habitats, are crucial to ensure ecological balance.

b) Social sustainability focuses on enhancing the quality of life for individuals and communities. It deals with promoting equality, human rights, access to education and health care, and ensuring fair employment conditions. The aim is to guarantee long-term well-being and justice for all people. The challenges to achieve social sustainability include eradicating poverty and economic disparities, eliminating discrimination and exclusion, increasing access to resources, overcoming insecurity and conflicts (locally, regionally, and globally), and improving governance by combating corruption and intensifying the efficiency of institutions. To ensure the availability of resources and their equitable access for all members of society, the promotion of systems and policies that aim to reduce social and economic inequalities is crucial. In fact, in addition to the fight against inequality, the other goals to be achieved comprehend the enforcement of policies that protect fundamental human rights (including health and education), the adoption of practices for the valuation and integration of individuals belonging to different backgrounds, ethnicity, gender, ability, and sexual orientation, the creation of safe environments administered by competent justice systems, and the improvement of physical and mental health through the access to quality health services. These efforts support the long-term sustainability of social systems and contribute to a more equitable society.

c) Economic sustainability refers to practices that support long-term economic growth without compromising environmental, social, and cultural aspects of the community. The main factors that contribute to economic sustainability encompass the responsible administration of resources, the capacity of economic systems and businesses to innovate and operate efficiently, financial stability at the macro level, the commitment of each country to foster policies, programs and initiatives aimed at addressing critical social issues, including poverty, educational access and healthcare provision, gender equality and environmental sustainability, international cooperation and partnerships between public sectors and private entities, the preservation of the level of equity and social inclusion, and the commitment to corporate responsibility.

d) Later, a fourth pillar has been added by United Nations, the Governance pillar. This refers to how a company operates internally. The governance issues that might be taken

into consideration when evaluating a company include its ethics and values, the shareholder rights, transparency and anti-corruption, anti-fraud policy, tax strategy and accounting standards, board and company diversity, compensation of employees and board executives.

This perspective on sustainability underlines the importance of balancing and integrating environmental quality, social justice, and economic prosperity to promote a sustainable development pathway.

1.2 Sustainability within the luxury industry

Sustainability is a key issue for every market segment, and the luxury industry is no longer an exception.

After the years of Covid-19, sales in the luxury industry declined, due to supply chain disruptions, retail closures, and consumers lockdowns. At global level, the personal luxury goods market decreased by 20-22% by 2020, down to 2015 sales levels³. In these next few years, younger consumers are driving the luxury industry's resurgence. Gen Z (18-24 years old) and Gen Y (25-39 years old) are quickly becoming major luxury consumers, and by 2025 they will account for more than two-thirds of global luxury purchases. The main characteristic of these younger generations is its increased concern for sustainability; they place a strong emphasis on the social and environmental issues the world is currently facing, and they consider these issues when making luxury purchase decisions. In this new scenario, luxury brands need to develop their policies and redefine their objectives to meet the sustainability demands of their consumers.

There are various dimensions through which luxury brands can incorporate sustainability:

- Selection of raw materials, which should be natural, organic, recycled, and certified. Many luxury brands are starting to use organic cotton, ethical silks, and FSC viscose to reduce carbon footprint, thus promoting sustainability and innovation. The use of organic textiles, despite being more expensive, requires less processing and may generate long-term savings, other than generating higher quality products, which may lead to being priced higher, supporting the idea that it pays to be green.

³ Francesco J. Conejo, "A conceptual framework for sustainable luxury", Introduction page 1, <file:///Users/vittoriapistone/Downloads/Cowan-2022-SustainableLuxFramework.pdf>, accessed February 24, 2024.

- Increasing the use of eco-friendly fabrics, such as apple leather, mushroom leather, leaf leather, Vegea⁴, and Piñatex⁵. These fabrics are sourced from renewable materials, engage unclosed-loop production techniques to save water and reuse solvents, and have minimized carbon dioxide and greenhouse gas emissions in comparison to standard materials.
- Circular fashion, encouraging the use of recycled and upcycled textiles.
- Adoption of innovative technologies to reduce the environmental impact of manufacturing processes by lowering carbon emissions, minimizing waste, and reducing water usage; and ensuring these processes adhere to sustainable practices.
- Commitment to ethic and social responsibility by taking part in social welfare projects, ensuring fair labor conditions, supporting artisans in their supply chains, and doing charity.
- Promote sustainable practices in the manufacturing processes by the adoption of renewable energy sources such as wind energy, solar energy, geothermal energy, hydroelectric power, and biomass energy.
- Implementing the use of innovative technologies such as 3D printing, artificial intelligence, and biotech textiles, to minimize waste, develop sustainable materials and improve production processes.

However, by implementing these sustainable practices, luxury brands face many challenges which include, higher costs of productions affecting the pricing strategy of the brands, significant investments in traceability and compliancy to ensure sustainability throughout the supply chains and maintaining exclusivity and luxury.

The implementation of these sustainable practices by luxury brands, in an era of continuous technological and social evolution, allows them to keep pace with the current global environmental situation and take part in it positively, ensuring the quality, craftsmanship and ethical responsibility that new consumers expect to receive.

⁴ a vegan leather made using pomace, the residue of the vinification made up of grape skins and seeds. It is a substitute for skin of animal origin and synthetic leather. The name Vegea comes from the combination of Veg (vegan) and Gea (Mother Earth).

⁵ non-biodegradable leather alternative. It is made from cellulose fibers extracted from pineapples leaves, PLA (polylactic acid) and petroleum-based resin.

1.3 Sustainability models and frameworks

It is essential to understand sustainability models and frameworks to analyze how luxury brands, and in general businesses, operate in their sector to promote sustainable development. This section explores key models and frameworks, along with the crucial roles played by International Governmental Organizations (IGOs) and the Sustainable Development Goals (SDGs) in advancing sustainable practices.

In September 2015 in New York, all United Nations member States reunited at the UN Sustainable Development Summit and adopted the 2030 Agenda for Sustainable Development, a plan of action for people, planet, peace, prosperity, and partnership. The core of the 2030 Agenda is the 17 Sustainable Development Goals and 169 Targets, which cover a wide range of sustainability issues, from the fight against poverty, the elimination of hunger and the fight against climate change, to the achievement of gender equality and the realization of human rights. These goals integrate all the three dimensions of sustainable development: environmental, social, and economic⁶.

Among the 17 SDGs, the goals listed below are those that are particularly relevant for luxury brands to be part of the sustainable journey, and how they adapt them to their sector:

- UN SDG 3, “Good health and well-being”, ensuring healthy lives and promoting well-being for everyone at all ages. Guaranteeing safety and creating the conditions for well-being at work.
- UN SDG 5, “Gender equality”, achieving gender equality and empowering all women and girls.
- UN SDG 8, “Decent work and economic growth”, improving safety for all, fostering an environment that promotes well-being at work, promoting social dialogue, contributing to local economies, and supporting vulnerable people.
- UN SDG 9, “Industry, innovation and infrastructure”, promoting sustainable industrialization and fostering innovation.
- UN SDG 10, “Reduced inequalities”, empowering and promoting inclusion for all age, sex, race, disability, ethnicity, origin, religion, and economic status.

⁶ United Nations, “The 17 goals”, <https://sdgs.un.org/goals>, accessed on February 25, 2024.

- UN SDG 12, “Responsible consumption and production”, generating innovative materials, implementing eco-design at every stage, extending lifespans of products, ensuring product safety, increasing transparency through innovation, reducing waste through prevention, reduction, recycling, and reuse.
- UN SDG 13, “Climate action”, reducing impact, regenerating ecosystems, reducing Scope 3 emissions, combating climate change and its impacts through mitigation and adaptation strategies.
- UN SDG 15, “Life on land”, managing forests sustainably, combating desertification, halting, and reversing land degradation, and halting biodiversity loss.
- UN SDG 17, “Partnerships for the goals”, promoting diversity and guaranteeing inclusion, contributing to local economies, mobilizing additional financial resources for developing countries from multiple sources.

Apparently, there are several manners through which luxury brands can contribute to the pathway to sustainable development.

In addition to SDGs, there are other important sustainability frameworks, as the Triple Bottom Line (TBL), the ISO 14000 Environmental Management Standards, and the Global Reporting Initiative (GRI), that provide critical guidance for luxury brands. The TBL framework guides companies to pursue sustainability across profit, people, and planet. Similarly, ISO 14000 standards concentrate on limiting environmental impacts and enhancing performance in compliance with legal and regulatory guidelines, while GRI standards provide a strong system for monitoring and reporting on impacts in a transparent and globally compliant manner.

Furthermore, the role of International Governmental Organizations (IGOs), such as the United Nations Environment Programme (UNEP), the World Bank, and the International Monetary Fund (IMF), is crucial since they provide financial resources, competency, and facilitate international cooperation and partnerships, which are fundamental for successfully addressing global environmental concerns and advancing sustainable development strategies.

By embracing these concepts and adapting them to their specific sector, luxury brands’ efforts will have an impact on the global environment, ensuring long-term

competitiveness in an increasingly environmentally sustainable market, and thus building their strategy, making the integration of these policies into business activities.

1.4 Consumer behavior and perceptions towards sustainability

The topic of Sustainability has become relevant in the last thirty years from a consumers' perspective since the latter started caring about their impact on other people and the environment, and only gradually has the fashion industry realized that it is time to be responsible to society. Keeping in mind the definition of sustainable development carried out by the Brundtland Commission in 1987, luxury products are considered traditionally as unsustainable because their production wastes resources for the satisfaction of a few and symbolize social inequality. This is one of the reasons why it was claimed that luxury and sustainability were incompatible. However, these two concepts are now considered complementary.

Since a few years, the main consumers of luxury goods have become millennials and Gen Z, who carefully evaluate the origin of the materials that make the luxury goods, the ethics of their production, and the corporate values behind them.

In today's market, consumers' increasing awareness and concern over sustainability topics is reshaping industries, including the luxury sector. Consumers started not only to demand high quality, but they also ask for transparency, ethical production, and environmental responsibility from their favorite brands. Moreover, sustainable products offer higher quality and longer durability, for this reason they are perceived as better investments, even if more expensive, as they provide greater value over time.

Media platforms have increased consumer awareness and sensibility to environmental and social issues. In addition, the advent of social media has permitted consumers to share information, endorse sustainable brands, and have discussions about sustainability topics among communities.

A substantial amount of consumers feels a strong sense of responsibility to make positive impacts on the environment and society through their purchasing decisions, preferring brands that share their values and beliefs.

Luxury companies' commitment to sustainability strengthens consumer loyalty, as many are willing to pay more for eco-friendly products (Figure 1). In addition, this commitment encourages consumers to support a brand, spreading the information through word-of-

mouth, and increasing brand’s visibility and strengthening its position in the sustainable luxury market.

Despite these opportunities, brands often face problems of miscommunication and consumer skepticism, that obstruct even the best sustainability projects, risks of greenwashing, where brands promote their products as eco-friendly but instead, they give false information or some information is omitted to deceive consumers or investors, and problems of increasing costs of sustainable luxury items, which may discourage environmentally conscious consumers from making the purchase, especially during uncertain economic times.

Luxury brands should commit to transparency, providing clear information about their vision, values, and sustainability practices, and reinforce brand authenticity to keep consumers trust and loyalty. Furthermore, effective marketing strategies to promote a brand’s sustainability efforts can differentiate it in the competitive luxury market.

By implementing strategic sustainability practices, luxury brands can better understand consumer behavior and perceptions, and this can lead to improved consumer loyalty and strong competitive advantage in the eco-conscious marketplace.

Figure 1: Global fashion consumers fall into five different personas when it comes to their sentiment on sustainability

Global fashion consumers fall into five different personas when it comes to their sentiment on sustainability

	Sustainability Champions	Idealists	Good Citizens	Opportunity Shoppers	Indifferents
Willingness to take sustainable action	Very willing	Usually willing	Usually willing	Sometimes willing	Low willingness
Frequency of sustainable purchases	Often or always	Hardly ever/sometimes	Often or always	Sometimes	Never/hardly ever
Concern about sustainability	High or very high	High	Mid	Mid	Low or very low
Generation	Millennials and Gen Z	Millennials	Millennials and Gen Z	Gen X and older	Older generations
Education	Undergrad/graduate school	Undergrad/graduate school	Undergrad/graduate school	Secondary school/undergrad	Secondary school
Gross family income	€€€€	€€€	€€€	€€	€€
Annual apparel spending	€€€€	€€€	€€€	€€	€€
Pre-purchase engagement	Extensively research purchases	Gather information from social media, TV, and conferences/talks	Gather information from in-store displays, social media, and brand websites	Gather information from in-store displays and word of mouth	Do not research purchases
Consumers willing to pay a premium price for sustainable product	84%	67%	64%	55%	24%
(Average premium price %)	(+32%)	(+25%)	(+25%)	(+20%)	(+17%)

Source: Bain analysis of global consumer survey, <https://www.bain.com/insights/how-brands-can-embrace-the-sustainable-fashion-opportunity/>

Chapter 2: LVMH and the luxury market

2.1 Introduction to the luxury market

The fashion and luxury sectors are constantly and rapidly evolving, and despite the effects of the post Covid-19 pandemic, it has maintained positive trends even in recent years, moving towards an environmentally responsible, circular economy business model, where technology plays a crucial role.

In such sectors where image is crucial, luxury brands must communicate an idea of exclusivity and uniqueness, interpreting consumers' values and anticipating innovative market trends, comprehending technological innovations, but also vintage and sustainability, second-hand luxury, and the use of sustainable or recycled raw materials. A key factor is the importance of the Made in Italy, and the excellence of Italian fashion and luxury. Indeed, every year, Made in Italy luxury brands are the most appreciated and valuable on a global perspective, thanks to the distinguished design, craftsmanship and high quality of the products, which employ rare and premium materials and need much expertise and precision in their production process.

Luxury is also about the experience the brands offer, including customer experience and the purchasing environment, with the aim of strengthening the perception of the brand and ensuring an emotional connection with customers.

The luxury market is crucial in the global economy, being a driver of employment in many fields, such as artisanship and retail, and in several industries including logistics, design, and advertising. Therefore, it is influenced by the interplay of international economic conditions, cultural evolutions, and technological improvements.

According to Deloitte's Financial Year 2022 (FY2022) statistics⁷, the Top 100 luxury goods companies generated composite sales of US\$347 billion, compared to the US\$305 billion registered in FY2021. In addition, personal luxury goods sales for the Top 10 luxury companies increased by 22.8%. However, the share of their sales in the combined luxury goods sales of the Top 100 companies showed little change, it decreased by 0.2 percentage points to 56.0%. They contributed 62.5% to the Top 100 companies' year-on-year sales growth, as well as 76.4% to their net profit growth. LVMH consolidates its

⁷ Giovanni Faccioli, Deloitte, "Global Powers of Luxury Goods 2023", <https://www.deloitte.com/content/dam/assets-shared/docs/industries/consumer/2024/gx-global-powers-of-luxury-goods-2023.pdf>, pages 3-4, accessed on November 29, 2023.

position as leader contributing 31% of the Top 10 sales in FY2022 (Figure 2), with nearly US\$60 billion sales of personal luxury goods⁸. Italy hosts 23 luxury goods companies, which account for 7.8% of luxury goods sales. And among them, 15 are luxury fashion houses. Their average sales amount to US\$1.2 billion, much smaller than the Top 100, which average is US\$3.5 billion.

There is noticeable shift towards digitalization in the luxury market, as brands are focusing on improving their online presence and e-commerce capabilities to keep up with the rising demand for online shopping experiences. As discussed in Chapter 1, sustainability has taken center stage, with consumers increasingly expecting luxury brands to exhibit their commitment to environmental and social responsibility. Furthermore, the market has undergone a geographical expansion, with emerging economies like China experiencing increased demand and becoming a pivotal market for luxury brands. As such, it is essential for luxury brands to innovate and evolve consistently to stay relevant, competitive and maintain their market standing.

⁸ Giovanni Faccioli, Deloitte, “Global Powers of Luxury Goods 2023”, <https://www.deloitte.com/content/dam/assets-shared/docs/industries/consumer/2024/gx-global-powers-of-luxury-goods-2023.pdf>, page 17, accessed on November 29, 2023.

Figure 2: top 10 luxury goods companies by sales, FY2022

Top 10 luxury goods companies by sales, FY2022

FY2022 Luxury goods sales rank	Change in rank from FY2021	Company	Country of origin	FY2022 Luxury goods sales (US\$M)	FY2022 Total revenue (US\$M)	FY2022 Luxury goods sales growth	FY2022 Net profit margin ^{1**}	FY2022 Return on assets ^{**}	FY2019-2022 Luxury goods sales CAGR ^{2*}
1	↔ 0	LVMH Moët Hennessy-Louis Vuitton SE	France	59,869	83,241	22.6%	18.6%	11.0%	19.4%
2	↔ 0	Kering SA	France	21,394	21,394	15.3%	18.3%	11.0%	8.6%
3	↑ 3	Compagnie Financière Richemont SA	Switzerland	19,248	22,276	50.1%	10.8%	5.2%	11.5%
4	↓ -1	The Estée Lauder Companies Inc.	United States	17,737	17,737	9.4%	13.6%	11.5%	6.1%
5	↓ -1	Chanel Limited	United Kingdom	17,224	17,224	10.1%	26.7%	25.5%	12.0%
6	↓ -1	L'Oréal Luxe	France	15,388	15,388	18.6%	n/a	n/a	9.9%
7	↑ 1	Chow Tai Fook Jewellery Group Limited 周大福珠宝集团有限公司	China/HK SAR	12,563	12,709	41.1%	7.0%	7.8%	14.0%
8	↓ -1	Hermès International SCA	France	12,196	12,196	29.2%	29.1%	19.4%	19.0%
9	↔ 0	Rolex SA	Switzerland	10,336 e	10,336 e	20.4%	n/a	n/a	13.8%
10	↑ 3	PVH Corp.	United States	8,364	9,155	33.3%	10.4%	7.7%	1.2%
Top 10*				194,319	221,656	22.8%	17.5%	11.2%	12.8%
Top 100*				346,989	386,963	20.0%	13.4%	7.7%	8.4%
Top 10 share of Top 100				56.0%	57.3%	62.5%	76.4%		

Source: <https://www.deloitte.com/content/dam/assets-shared/docs/industries/consumer/2024/gx-global-powers-of-luxury-goods-2023.pdf>

2.2 The LVMH Group

The LVMH Louis Vuitton Moët Hennessy SE, also known as LVMH, is a French multinational corporation and conglomeration headquartered in Paris. It was created in 1987 with the merger of two companies: Louis Vuitton, founded in 1854, and specialized in fashion items, and Moët Hennessy, created in 1971, specialized in wines and spirits.

Bernard Arnault, the owner, and president of the group, with the help of Lazard bank, carried out a financial structure that permitted him to control the group with a minority stake of 4%, divided into 10 holding companies. Bernard Arnault is the main shareholder of the company, controlling it both directly (5%) and indirectly through Christian Dior SE (42%). In general, Bernard Arnault's holding company, the Arnault Family Group, controls 46.84% of the shares with 63.13% of the voting rights.

LVMH's Board of Directors (BoD) serves as the strategic entity of the company. The BoD's primary responsibilities include endorsing the overarching strategic direction of the company and the Group, particularly in relation with social, environmental, and ethical issues, and overseeing its execution. The Board also ensures the integrity and the accuracy of the information disclosed about the Group, being responsible for protecting

the Group's corporate assets and incorporating major business risks into its governance practices. The Board also oversees the implementation of measures to mitigate risks of corruption and evaluates the effectiveness of the Group's non-discrimination and diversity policies, especially concerning gender equality within its leadership. Furthermore, it safeguards the rights of all shareholders and monitor their loyalty to their responsibilities.

The Board has established three specialized committees, each of which comprises at least three members, appointed by the BoD: a Performance Audit Committee, a Governance and Compensation Committee, and an Ethics and Sustainable Development Committee. To address overlapping concerns, the Board may organize meetings involving various committees⁹.

In 2014, the Louis Vuitton Corporate Foundation was inaugurated. Later, in April 2015, LVMH, through a fund managed by the Group called L Capital Asia, along with M1 Fashion and Pepe Jeans, extended its holdings by acquiring the newspaper Le Parisien for approximately €50 million. In July 2016, LVMH divested the Donna Karan and DKNY brands, selling them to G-III Apparel for \$650 million. In a strategic move to further expand its portfolio, in October 2016, the Group acquired an 80% stake in Rimowa, a German firm renowned for its suitcases, for \$640 million¹⁰.

Today, the company owns 75 illustrious Maisons, rooted in five different sectors: Fashion and Leather Goods, Watches and Jewelry, Wines and Spirits, Perfumes and Cosmetics, and Selective Retailing. This makes LVMH Group unique, being the only group to cover all these sectors in the luxury industry worldwide.

LVMH Group has always tried to expand itself globally, trying to get the control over big European and American fashion brands. The most recent acquisitions date back to 1999 and 2000 when LVMH Group acquired more than 25 brands. In 2011, Bulgari entered the group, and in 2013 the Group acquired 80% of Loro Piana for €2 billion, and the remaining 20% remained with Loro Piana family who maintained their roles at the helm of the company.

⁹ LVMH, "Universal Registration Document 2023", https://r.lvmh-static.com/uploads/2024/03/urd-2023-va_vdef.pdf, pages 11-14, accessed on December 10, 2023.

¹⁰ Le Monde, "LVMH acquiert le malletier allemand Rimowa", https://www.lemonde.fr/economie-francaise/article/2016/10/04/lvmh-acquiert-le-malletier-allemand-rimowa_5007879_1656968.html, accessed on December 12, 2023.

It was in April 2017 when LVMH acquired the luxury brand Christian Dior, held by the Christian Dior Group, for €6.5 billion. The year later, in 2018, there was the acquisition of the luxury hotel chain Belmond, which manages 46 hotels, restaurants, trains (including the well-known Orient Express), and river cruises ships, for \$3.2 billion¹¹. Finally, in 2020 LVMH acquired the first American luxury brand, Tiffany & Co. for \$16 billion¹². In fact, LVMH goal was to strengthen the Watch and Jewelry division, which was the smallest in the group, and to increase its presence in the United States. Finally, in 2021 the Group acquired Emilio Pucci.

LVMH sells its products only in its own stores throughout the world (around 2,400), or in some very specific stores, such as Harrods department stores, to keep the exclusivity of the brand and the resulting high price.

The core of LVMH's excellence lies in the company's four great values, expressed by Bernard Arnault and shared by everyone within the group; these values are a) the combination of creativity and innovation; b) the pursuit of high quality and excellence in the production processes; c) the cultivation of an entrepreneurial spirit; and d) the commitment to a positive impact on ethics, social responsibility, and respect for the environment.

In 2009 LVMH drew up its first Code of Conduct, which was then updated in 2017. It summarizes the ethical framework and commitment of the company to maintain the highest levels of integrity, social responsibility, and environmental responsibility through all its operations. The code outlines the conduct expected of all employees and affiliates in line with international laws and corporate policies. LVMH efforts encompass a wide range of initiatives to promote sustainable practices, in alignment with environmental, social, and governance (ESG) criteria, which is fundamental to maintain consumer trust and corporate credibility, and to contribute to the achievement of the United Nations SDGs.

Today, LVMH is the biggest Group in the luxury sector, which offers a wide variety of services and products, which main features are high quality, craftsmanship, innovation, and uniqueness.

¹¹ Dominique Vidalon, Inti Landauro, Reuters, "LVMH splashes out on luxury hotels with \$3.2 billion Belmond deal", <https://www.reuters.com/article/idUSKBN1OD0QE/>, accessed on December 12, 2023.

¹² Sarah White, Greg Roumeliotis, Reuters, "LVMH, Tiffany agrees on lower price in \$16 billion takeover deal", <https://www.reuters.com/?edition-redirect=uk>, accessed on December 12, 2023.

2.3 Luxury brands and their sustainable strategies

The luxury sector, and more particularly the fashion one, is known as a major source of GHG emissions, not only for its production and distribution processes, but also for burning excess garments to uphold the brand's image, preventing sales in secondary markets, or deterring their availability in other countries, to preserve the brand exclusivity. According to McKinsey & Company, the fashion industry accounted for 4% of global emissions (2.1 billion metric tons of GHGs) in 2018. Moreover, this sector is considered one of the most contaminant due to the continuous generation of waste, that evade filtration systems and enter marine environment, the great use of water resources for the cultivation of raw materials like cotton, that reduce soil quality contributing to drought conditions, and the textile production.

Recent trends have shown a growing global interest in sustainability and corporate social responsibility (CRS), which relates to a company's voluntary efforts on social and environmental fronts. These are crucial due to the pressing issue of climate change and the impacts of the Covid-19 pandemic, making it necessary for companies to develop effective strategies to address social and environmental challenges. It has been only in the past thirty years that consumers started demanding for sustainable business practices, and brands increased their commitment to that. CSR activities not only deal with meeting social needs but also the expectations of stakeholders, particularly consumers.

Studies have noted that luxury brands are responding positively to sustainability trends by adopting practices that align with consumers expectations and demanding. Nowadays, the "slow fashion" movement is becoming more and more popular, with people preferring to purchase fewer but higher-quality garments and extending their usage.

Major luxury firms started integrating sustainable solutions throughout their value chain, such as vertically integrating their supply chains, adopting eco-friendly materials, looking for sustainable alternatives, extending product lifespans, and exploring second-hand markets. The evidence of this new practices is showed in the CSR/sustainability reports published by the firms, which detail their yearly progress and impact, thus enhancing transparency regarding their sustainability outcomes, as the Life 360 report of LVMH. These documents provide a clear insight of the firms' commitment to sustainable practices, their goals, and their achievements over time. Considering LVMH, the group

has drawn up a 2025 CSR roadmap¹³, which means that by 2025 the company aims to achieve 50% of the Group key positions held by women, 100% of recruiters undertake non-discrimination training in the last three years, 30% of leadership roles in the United States of America occupied by black, indigenous and people of color, 100% of the 5 commitments of the Healthy and Safety Policy achieved, and many others.

However, there are luxury brands that still do not publish annual reports with their sustainability efforts, and this warrants further investigation.

Moreover, the luxury industry adheres to the 2030 Agenda of United Nations¹⁴, contributing to the achievement of the 17 Sustainable Development Goals, including initiatives related to the circular economy, the careful selection of the materials, and the commitment to sustainable production and responsible consumption. The fashion industry seeks to reach these objectives through agreements like the Fashion Pact, a non-profit organization for sustainability in the fashion industry.

Furthermore, luxury companies are investing in local communities supporting artisan skills and traditional craftsmanship, which preserves cultural heritage and boosts local economies. Technological innovations play a crucial role in this path towards sustainability, enhancing traceability and eliminating counterfeit products, resulting in reinforcing ethical standards and consumer trust.

2.4 Analysis of LVMH path towards sustainability

The LVMH Group strategically integrates environmental, social, and governance criteria into its core business strategies, distinguishing itself as a leader in the luxury industry's sustainable transformation.

On April 21, 2021, at its shareholders' Meeting, LVMH Group drawn up its first environmental roadmap, the LIFE 360 (LVMH Initiatives For the Environment). This environmental policy follows on from LIFE 2020, the company's program of commitments covering the 2016-2020 period. LIFE 360 includes 2023, 2026 and 2030

¹³ LVMH, "2023 Social and Environmental Responsibility Report", https://r.lvmh-static.com/uploads/2024/04/lvmh_committed_to_positive_impact_2023-1.pdf, page 46, accessed on December 16, 2023.

¹⁴ UN Global Compact, a non-binding pact of the United Nations, created to encourage companies and businesses around the world to adopt sustainable policies that observe corporate social responsibility, and to make the results of the actions undertaken public; Green Reporting Initiative (GRI), an international non-profit body created with the aim of defining the reporting standards of sustainable performance of companies and organizations of any size, belonging to any sector and country in the world.

targets for all its Maisons, and it was launched to structure the Group's environmental actions around specific, measurable targets, focusing on key areas like carbon footprint reduction, ensuring sustainable sourcing of raw material, and enhancing biodiversity.

The main decisions are taken by the Environmental Development Department, composed of 10 associates, who report personally to Antoine Arnault, a member of the LVMH Board of Directors. This Environmental Department pursues many strategic goals under the LIFE framework.

Additionally, each Maison benefits from its environmental officers, forming a network of nearly 200 officers, that make up the Environment Committee, that convenes several times annually to help implement and coordinate the environmental and social commitments.

It was in 2022 that LVMH set up an ESG Committee made up of representatives from the Operating Departments and coordinated by the General Administration and Legal Affairs Department. Its main areas of focus include working with the Maisons to establish operational arrangements for carrying out the Group's social and environmental action plans, assessing the Group's exposure to social and environmental risks, and ensuring that the Group's CSR reporting complies with the CSRD, the Corporate Sustainability Reporting Directive¹⁵.

Since joining the United Nations Global Compact in 2003, LVMH committed to responsible corporate citizenship, adhering to ten universal principles, with three specifically focusing on environmental stewardship: embracing a preventive approach to environmental issues, enhancing environmental responsibility, and advocating for the adoption and diffusion of eco-friendly technologies.

LVMH provides training to engage its workforce, of more than 213.000 employees, in environmental initiatives. In fact, the Environment Academy was established in 2016 to train to the LIFE program's key goals using diverse educational tools such as in-person sessions, e-learning, and virtual classes. Later, in 2022 environmental education continued across the Maisons with an extensive training in sustainable product and store design, exemplified by initiatives at Parfums Christian Dior and Louis Vuitton. Moreover,

¹⁵ requires companies to report on the impact of corporate activities on the environment and society, and requires the audit (assurance) of reported information.

the Group pointed up sustainable construction practices in its webinars for store planners, aligning with LIFE 360 guidelines.

In 2022, LVMH was recognized in major indices for responsible investment, such as FTSE4Good Global 100¹⁶, and received high ESG scores from Moody's and S&P Global. The Group also obtained a Triple A rating from CDP (Carbon Disclosure Program) for its leadership and measures concerning climate change, water security, and forest conservation¹⁷.

The main environmental risks identified at the Group level encompass effects on ecosystems, risks associated with climate change, exhaustion of natural resources, and establishment and upkeep of responsible supply chains. In 2022, LVMH refined its analysis of the most critical issues impacting the company; as regards climate-related impacts, the Group continuously updated its analysis of physical and transitional risks associated with climate change, by employing scenario analysis techniques and evaluating the potential financial outcomes; while regarding impacts on biodiversity and water, LVMH implemented and tested methodologies that are currently being developed by SBT for Nature¹⁸ and the TFND (Task-Force Nature Disclosure)¹⁹.

In 2023, LVMH continued its path towards sustainability with the aim to advance the initiatives necessary to achieve its social targets by 2025 and its environmental one by 2026 and 2030. However, 2023 was a year of progress for the Group across the four principal components of the LVMH Group's social initiative program. In fact, in terms of social responsibility, it pursued the objectives laid out in their Health and Safety Policy, achieving an 8% reduction in accident frequency rate compared to the previous year. The Group also focused significant attention on the mental well-being of the workforce, organizing a day dedicated to raising awareness on this important topic. The LVMH Métiers d'Excellence saw an important growth, welcoming over 8,000 new participants in 2023, and expanded its reach in Italy through the You and Me tour, which introduced the program to young individuals and those considering career changes. In terms of

¹⁶ a measure of the performance of companies demonstrating specific Environmental, Social and Governance (ESG) practices.

¹⁷ LVMH, Universal Registration Document 2022, "Management report of the board of directors: the Group", <https://r.lvmh-static.com/uploads/2020/02/2022-environment-and-sustainability.pdf>, accessed on December 17, 2023.

¹⁸ science-based targets which give companies and cities a clear pathway to competitiveness and resilience by using science to define their role in protecting and restoring nature.

¹⁹ a market-led, science-based and government-supported global initiative.

diversity and inclusion, there were quite big achievements as female representation in senior management positions increased reaching 46% of the roles. The Group organized the “Voices of Inclusion Week”, an event to show their commitment to foster an even more inclusive culture, thanks to their successful initiatives. Additionally, over 65,000 LVMH employees engaged in initiatives supporting vulnerable groups through public health and educational projects. The Group continued its partnership with the LIVE institute, contributing to the launch of its fourth campus in Marseille, aiding in workforce integration.

Environmentally talking, the company met the 2023 goals of the LIFE 360 program, which included the introduction of new circular services across the Maisons and the establishment of LVMH Circularity, aimed at optimizing material reuse. The Group also launched LVMH Gaïa, a program dedicated to the introduction of new materials, and inaugurated the LIFE Academy, which focuses on environmental education. Thanks to the Group commitment towards sustainable agriculture, over 3 million hectares of natural habitats were successfully preserved. Moreover, the Group has partnered on a research initiative that is testing regenerative cotton with Söktaş, a family-run business in Turkey close to Izmir. This initiative, from LVMH and the United Nations Economic Commission for Europe (UNECE), has successfully implemented regenerative agriculture practices across 92 hectares. The immediate objective is to expand this to 250 hectares by the end of 2024. Finally, this project aims to facilitate a widespread transition by assisting all 5,500 farmers in the valley to adopt these sustainable practices.

Regarding climate action, the company cut CO2 emissions from energy use by 28% compared to 2019 and increased the use of renewable energy to 63%. Thanks to their improvements in the certification rates of the supply chains in the past two years, the Group is confident that will achieve complete traceability by 2026. Furthermore, each company adopted strategies aiming for a 30% reduction of water usage by 2030.

In 2023, LVMH also expanded the Convergence program, to better manage CSR risks within supply chains, and introduced LIFE 360 Partners, to enhance environmental efforts with the suppliers.

Regarding ethical issues, the Group revised the LVMH Code of Conduct. In 2023, LVMH Heart Fund, a global fund that offers emergency financial aid and psychological support

to Group employees facing serious difficulties in their personal lives, celebrated its second anniversary.

In December 2023, the Group presented the initial results of its LIFE 360 program during a conference at the UNESCO Headquarters. The event was attended by notable figures including Christophe Béchu, the French Minister of Ecological Transition and Territorial Cohesion, and Virginijus Sinkevičius, the EU Commissioner for the Environment, Oceans and Fisheries. Contemporaneously, the Group launched LIFE 360 Business Partners, a new initiative designed to diminish the environmental impact of its suppliers and partners.

Looking towards 2024, LVMH will significantly contribute to the Paris Olympic and Paralympic Games as a creative partner, showcasing the excellence of the artisans and ensuring the Games are conducted with high social and environmental responsibility.

2.5 LVMH Initiatives For the Environment, the LIFE 360 program

LVMH's latest LIFE 360 roadmap, which was introduced at the 2021 Shareholders' Meeting, outlines ambitious environmental targets to be achieved by 2023, 2026, and 2030. The strategy consists of four key action plans: circular design, biodiversity, climate, and traceability and transparency. Based on the information given in the LIFE 360 report posted by LVMH²⁰, here are the achievements reported by the Group.

Creative circularity

In 2023 the LIFE 360 plan achieved its target of introducing new circular services. The Maisons have introduced systematic repair, refill, and revaluation of unsold products to minimize their environmental footprint. These services permit to extend products life span, but also strengthen brand reputation and customer relations. For instance, Guerlain now offers its Abeille Royale skincare products in refillable glass jars, while Louis Vuitton repairs over 600,000 leather items annually.

Additionally, LVMH launched LVMH Circularity at the LIFE 360 Summit, creating an ecosystem of reusing and recycling materials across its operations. This includes

²⁰ LVMH, "2023 Social and Environmental Responsibility report", pages 90-119, https://r.lvmh-static.com/uploads/2024/04/lvmh_committed_to_positive_impact_2023-1.pdf, accessed on January 10, 2024.

partnerships with entities like CEDRE (in-house recycling platform), and Nona Source, which assist in repurposing textiles and other materials. Nona Source advanced circularity in fashion by offering unused luxury fabrics to young designers at competitive prices, recycling 280,000 meters of fabric in 2023 alone. Loro Piana also introduced a capsule collection made partially from recycled cashmere sourced from its own production excess. Compared to 2019, 97% of the new services implemented are circular today.

LVMH has set an ambitious goal for all new products to be sustainably designed by 2030, intensifying its commitment to sustainability throughout the product lifecycle.

In 2023, the Fashion & Leather Goods Maisons implemented Fairly Made, a tool to monitor sustainable design criteria and assess environmental impact. In 2023, 300 products across five Maisons were evaluated, achieving 61% compliance rate with sustainability standards. For instance, Christian Dior Couture's "Dior Denim" collection featured Regenagri-certified²¹ regenerative cotton, resulting in an 83% reduction in water use.

Sustainable packaging design is still a challenge. LVMH aims to abolish the use of fossil-based plastic and reduce raw material volumes. In 2023, recycled materials constituted 43% of total packaging, and packaging volumes decreased by 8%. However, 7,942 metric tons of virgin plastic were still used. To overcome these challenges, LVMH has joined initiatives like Pulp in Action, and PEference, and partnered with Dow to develop bio-sourced and circular plastic solutions. LVMH is also collaborating with Woola, a start-up from the LVMH Innovation Awards 2023, to replace fossil-based plastics with sustainable wool-based packaging.

In terms of material innovation, LVMH and partners like Fendi and Imperial College London advanced circularity by developing sustainable materials like keratin-based fur fibers and synthetic diamonds. The Perfumes & Cosmetics Maisons are exploring alternatives to virgin plastic with strategic alliances focused on bio-sourced and recycled materials.

As we will see in the next chapter, Bulgari is redesigning its packaging, to reduce the use of plastic, and Fendi implemented a comprehensive waste management system aimed at repurposing deadstock materials and unsold merchandise.

²¹ available for companies within the supply chain, allowing them to claim that products come from regenerative farming.

Biodiversity

The Group preserves biodiversity as its operations rely on natural raw materials.

In 2023, LVMH refined its biodiversity metrics, incorporating indicators like EF 3.0.2 and Impact 2002+ databases, Global Forest Watch, Biodiversity Integrity Index, TRASE tools, and the Dryad system, which help monitor the effectiveness of the Group's environmental strategies. These measures help the Group monitor the ecological benefits of its ecosystem regeneration projects and provide detailed data on site-specific impacts. To minimize biodiversity impacts, LVMH sets targets such as eliminating deforestation and ecosystem conversion within its supply chain by 2025, and guaranteeing all raw materials, like leather and cotton, are certified by biodiversity-conscious standards. The Group is in the right direction to restore 5 million hectares of habitats by 2030.

Additionally, LVMH introduced an extensive water resource management plan targeting a 30% reduction in water consumption across all operations by 2030, involving the adoption of appropriate technologies.

Since 2019, LVMH has been collaborating with UNESCO's Man and the Biosphere program. At UNESCO's 42nd General Conference in 2023, the Group presented the Amazonia project's achievements and introduced a new biodiversity portal.

Moreover, the Group contributes to significant initiatives to deepen its commitment to environmental change. In June 2023, LVMH presented its biodiversity strategies at the Future Fabrics Expo in London and discussed its Biodiversity corridors²² in Africa program at a related conference. These efforts emphasize the importance of connectivity networks, supporting species diversity and natural migration.

During the LIFE 360 Summit, LVMH underlines its dedication to biodiversity conservation, particularly on animal welfare. In fact, by 2026 the Group aims to meet the highest animal welfare standards for all its raw materials, as stated in its Animal-based Raw Materials Sourcing Charter. Furthermore, in September 2023, LVMH did a partnership with Ohio State University for the establishment of the One Welfare & Sustainability Center, which focus is educating animal health specialists and promoting the well-being of animal populations in production systems.

²² areas of vegetation that allow animals to travel from one patch of native forest to another.

Climate

LVMH's decarbonization strategy aligns with the Paris Agreement and has been validated by the Science-Based Targets initiative (SBTi). Moreover, the company committed to adopt a NetZero path by July 2024 and aims to align its objectives with the SBTi FLAG and GHG Protocol Land Sector and Removal Guidance standards.

LVMH climate objectives include a 50% reduction in Scope 1 and 2²³ GHG emissions by 2026 from a 2019 baseline, and a 55% reduction in Scope 3 emissions per unit of added value by 2030. To support these objectives, LVMH has developed the LIFE 360 Business Partners project to improve environmental performance throughout its value chain. Operational efforts include a 20% decrease in transportation-related impact by 2030 and the adoption of the Energy Efficiency Plan across its stores, which began in 2022.

The Maisons within the group have developed their carbon reduction plans, validated by SBTi. Innovation is critical in adapting to the risks, with initiatives such as regenerative agriculture, experimenting with new grape varieties, and technological breakthroughs being major areas of interest. The Carbon Disclosure Programme (CDP) has recognized LVMH's commitment to climate action and forest protection, listing the Group on its "A List" for two years in a row.

Moreover, the Group and its Maisons aim to enhance decarbonization across their sites and stores, moving to renewable energy sources. In fact, they implemented a new energy consumption cap per square meter, which is set to decrease from 500 kWh/m² in 2023 to 400 kWh/m² by 2026, and further to 300 kWh/m² by 2030, with the adoption of LED lighting, which has been already adopted by 79% of the Group's retail spaces.

In 2013, LVMH's energy mix was only 1% renewable and low carbon, but it was 63% in 2023. For instance, Maison Hennessy switched to using biomethane for 97% of its energy needs. Moreover, 34 of LVMH's Maisons have solar power or geothermal power systems with the aim of being energy independent.

²³ scope 1 emissions are those direct emissions that are owned or controlled by a company, and scope 2 emissions are indirect emissions and are a consequence of the activities of the company but occur from sources not owned or controlled by it.

Raw materials make up 43% of LVMH's total carbon footprint through Scope 3²⁴ emissions. Other components of this sector include packaging items, apart from tools used during production, which account for only 7%. Besides, marketing and advertising materials amount to 3%, all of which add up to 26% going into capital goods, while transport takes up 8% (Figure 3). Consequently, specific action plans have been crafted by LVMH based on tackling these challenges carefully. To minimize the amount of carbon emissions associated with its products' supply chains, LVMH employs methods that target individual materials, such as sourcing organic or reused materials for certified goods. As a result, they become part and parcel of how items are made at the various Maisons, leading to visible change. LVMH encourages the use of sustainable transportation modes across its supply chain and fosters innovation with partners; for instance, partnerships have been formed with UPS and Air France for sustainable aviation fuel (SAF) projects, as well as with Neoline for shipping Hennessy bottles on sail-powered cargo ships bound for the U.S.A. from 2025 onwards.

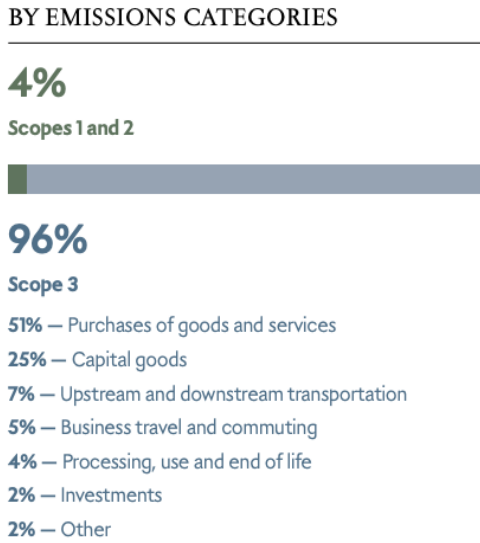
The LIFE 360 Business Partners program demonstrates LVMH's Scope 3 emissions reduction commitment (Figure 4). To cut down on greenhouse gas emissions and minimize water and biodiversity effects, it aims to elevate the environmental practices of its suppliers as well as partners.

Additionally, in 2023 LVMH formed new groups aimed at improving the management of the carbon footprint of advertising, focusing on transportation and media among others as it initiates such campaigns as task forces for all Scope 3 elements. The Group has also committed to reducing its IT (Information Technology)²⁵ and digital footprint by 20% by 2026, as many Maisons are adopting the Green IT Charter and initiating programs to optimize digital infrastructure energy use.

²⁴ the result of activities from assets not owned or controlled by the reporting organization, but that the organization indirectly affects in its value chain.

²⁵ covers the manufacturing, use, management and disposal of information technology in a way that minimises its impact on the environment.

Figure 3: LVMH’s carbon footprint in 2023 (by emissions categories)



Source: https://r.lvmhstatic.com/uploads/2024/04/lvmh_committed_to_positive_impact_2023-1.pdf

Figure 4: LVMH’s carbon footprint in 2023 (by business group)

BY BUSINESS GROUP

	SCOPES 1 and 2 100% base	SCOPE 3 100% base
Wines & Spirits	7%	8%
Fashion & Leather Goods	34%	55%
Perfumes & Cosmetics	8%	11%
Watches & Jewelry	7%	11%
Selective Retailing	18%	9%
Other activities	26%	6%
TOTAL EMISSIONS	305,350 tCO ₂ eq	7,146,690 tCO ₂ eq
TOTAL EMISSIONS PRO FORMA	198,710 tCO ₂ eq	6,144,810 tCO ₂ eq

Source: https://r.lvmhstatic.com/uploads/2024/04/lvmh_committed_to_positive_impact_2023-1.pdf

Transparency and responsibility

LVMH is improving its upstream traceability processes by working with suppliers and industry players to make sure their value chains adhere to ethical standards. The company projects that by 2030 it will have put in place a thorough system of tracing for every strategic supply chain, enabling them to trace all their products, components, and raw materials. The first step is to determine the country of origin for key raw materials, having

made significant progress already: 96% for leather, 99.9% for exotic leather, and 88% for wool.

Up to now, over 20 strategic raw materials like grapes, cotton, leather, wood, palm oil, and precious metals have been identified by the Group, whereby rigorous certification processes have been put in place under tight industry standards. Owning a large portion of its manufacturing operations grants LVMH direct control over these processes, with an additional focus on complex supply chains where it applies more stringent traceability measures.

Collaboration in the luxury sector is critical to solving environmental challenges. At the LIFE 360 Summit, industry leaders spoke about the importance of collective efforts on sustainability, a sentiment echoed by Antoine Arnault at the 2023 Fashion Summit in Copenhagen. Early in the year, 15 cosmetics companies, including leading brands such as Chanel and L'Oréal, formed the Traceability Alliance for Sustainable Cosmetics (TRASCE), to enhance the traceability of cosmetics components and packaging.

In specific initiatives, LVMH's Watches and Jewelry division has made significant efforts across its Maisons to improve gold and diamond exploration. Loro Piana has partnered with the Aura Blockchain Consortium to issue digital certificates for garments from The Gift of Kings collection in 2010, to increase demand. Similarly, Louis Vuitton has introduced LV Diamonds, which provide a secure digital certificate detailing the journey of each central diamond from extraction to the final product.

LVMH and its Maisons are systematically implementing environmental impact assessments of their products, improving sustainable design, and improving traceability. In 2023, over 30,000 products were incorporated into an environmental information system, accessible to consumers through QR codes on websites, store displays, or directly on product labels.

Furthermore, LVMH is committed to providing environmental indicators to its business units in conjunction with regulatory and collaborative efforts to standardize methodological approaches. The Group is a founding member of EcoBeautyScore, an integrated environmental assessment and scoring system for cosmetic products.

In addition, Ruinart launched a transparency platform in May 2023, which provides detailed environmental information about the production process, which can be accessed via a QR code on each bottle.

In 2020, LVMH joined the Zero Discharge of Hazardous Chemicals (ZDHC) initiative to implement best practices in chemical usage and wastewater quality at its textile and leather production sites. The Group has developed a comprehensive strategy for its production facilities and key suppliers in the Fashion and Leather Goods sector. Three of the four ZDHC goals have already been met, including the availability of leather from certified suppliers and wastewater discharge analysis. By 2026, LVMH aims to extend the Supplier to Zero program to cover at least 65% of production volumes (guaranteeing responsible chemical management), ensure that 60% of chemical formulations comply with the ZDHC Manufacturing Restricted Substances List (MRSL), and conduct annual wastewater quality monitoring at targeted sites, aiming for MRSL compliance of at least 85% across purchased volumes.

Moët Hennessy has a long-term commitment to reducing and optimizing the use of chemicals in its vineyards, having set a target of eliminating the use of herbicides in all vineyards owned by 2024, which its Champagne and Cognac region vineyards have already achieved by 2021. By 2022, Moët Hennessy 86% of global vineyard acreage met this target. The Group will also reduce the use of other pesticides, replacing them with biocontrol substances, and aims to influence independent grape suppliers to adopt similar practices by 2028/2030.

Finally, LVMH 's participation in the ZDHC program is notable, with 17% of its leather volumes purchased from certified tanneries. In 2023, LVMH hosted the ZDHC annual conference, which showcased industry best practices in chemical management and sustainability initiatives. This event serves as an important platform for collaboration between luxury brands, suppliers and ZDHC representatives.

Performance

Thanks to this information from the “2023 Social and Environmental Responsibility report” posted by LVMH, it is understandable that LVMH, through its LIFE 360 program, adheres to rigorous environmental standards and sets new benchmarks for sustainability in the luxury industry. The continuous evolution of its action plans and the following achievements underline LVMH's great commitment to environmental excellence and social responsibility.

Chapter 3: multi-brand analysis within LVMH Group

This chapter covers a detailed analysis of how three Italian brands from three different sectors in the LVMH Group commit towards sustainability. The leading brands are Fendi, in the Fashion and Leather Goods sector, Bulgari, in the Watches and Jewelry division, and Acqua di Parma, in the Fragrances and Cosmetic sector.

3.1 Case study – Fendi

Brand overview and values

Fendi is an iconic Italian luxury brand, established as a fashion house in Rome in 1925 by Edoardo Fendi and Adele Casagrande²⁶. The company designs, manufactures, and distributes a diverse range of luxury goods including leather goods, accessories, footwear, apparel, watches, home furnishings, and decorative accessories. Since 2001, Fendi has been incorporated into the “Fashion and Leather Goods” division of LVMH. Fendi’s Headquarters are located in Palazzo della Civiltà Italiana in Rome.

In 1918, Adele Casagrande inaugurated her first handbag shop and fur workshop on Via del Plebiscito in Rome. The business was renamed Fendi in 1925, following her marriage to Edoardo Fendi.

In 1932, Adele and Edoardo opened a boutique on Via Piave, and the Fendi name quickly gained international recognition.

In 1946, the founders passed the company’s leadership to their daughters – Paola, Anna, Franca, Carla, and Alda – each of whom managed different aspects of the business. In 1965, they involved in the design aspects the emerging designer Karl Lagerfeld, marking the beginning of a partnership that would last for 54 years. It was Lagerfeld himself who introduced the iconic double F logo in 1966, the same year when Fendi expanded into the U.S.A. and Japanese markets. Throughout the 1970s and 80s, Fendi expanded its product lines including commercial fur, cosmetics, men’s accessories, perfumes, eyewear, jeans, and home furnishings.

Fendi’s first U.S.A. boutique opened on New York’s Fifth Avenue in 1989.

²⁶ Michele Ciavarella, Style Magazine, “Fendi, 90 anni di storia italiana”, <https://style.corriere.it/moda/fendi-90-anni-di-storia-italiana/>, accessed on March 18, 2024.

In 1992, Anna Fendi's daughter, Silvia Venturini Fendi, assumed roles as artistic director of accessories and co-designer of women's line alongside Lagerfeld.

The company remained family-operated until 1999 when Prada and LVMH acquired a 51% stake for \$545 million. Following financial losses in 2001 and 2002, Prada sold its 25.5% stake to LVMH for \$265 million in 2002. LVMH then acquired an additional 15.9%, and Carla Fendi served as president and minority owner until 2008.

A significant event in Fendi's history occurred on October 19, 2007, when it staged an iconic fashion show on the Great Wall of China.

In 2016, the Palazzo Fendi, the brand's largest boutique, was inaugurated in Rome. Now the brand operates over 215 stores worldwide.

Recently, English designer Kim Jones was named artistic director of Fendi's women's collection in 2020, succeeding Lagerfeld.

Fendi's sustainable initiatives

Fendi has established a strong strategy to lower the environmental impact of its products. This strategy encompasses the meticulous selection of premium materials, the implementation of responsible manufacturing processes, and a dedication to enhancing the durability of luxury items. Since its foundation in 1925, the adoption of responsible materials has been fundamental to Fendi. The brand's commitment is rooted in the source and use of the finest materials available, undertaken with a conscientious approach that respects both the environment and individuals. The following paragraphs are a detailed description of Fendi's commitments reported on Fendi website ²⁷.

Responsible product

As a brand representing the Made in Italy worldwide, Fendi must ensure its products do not contain harmful substances and are produced in safe conditions. In 2023, Fendi reportedly produced approximately 3,000,000 products, however the transparency of its compliance program requires scrutiny.

Starting from 2015, Fendi attempted to prioritize product safety and environmental accountability through the Fendi Testing Programme. This initiative consists of a two-

²⁷ Fendi, "Responsible product, planet car, and people first", <https://www.fendi.com/sustainability/en/>, accessed on March 18, 2024.

phase process: the supplier screening, and the assessment test. The former deals with scrutinize the brand's suppliers to ensure they adhere to the LVMH Product Restricted Substances List (PRSL), which complies with international standards such as OEKO-TEX²⁸ and regulations like EU REACH²⁹ (on chemical products) and PROP65³⁰; the latter has to do with a rigorous testing of around 2,500 materials spanning various product categories, to confirm compliance with Fendi's standards. Over 95% of materials typically meet Fendi's criteria, with non-compliant materials excluded from production. Since 2019, being part of the LVMH Group's affiliation with Zero Discharge of Hazardous Chemicals (ZDHC) Foundation, Fendi has committed to eliminating the discharge of chemical pollutants throughout its supply chain, by adhering to the ZDHC Manufacturing Restricted Substances List (MRSL), implementing the ZDHC Chemical Management System (CMS) to foster responsible handling of chemicals, and following ZDHC Wastewater Guidelines to ensure that emissions in water and air from manufacturing processes meet safety standards. The ZDHC Foundation also hosts the ZDHC Gateway, the largest global database promoting safer chemical choices in the textile, apparel, and footwear industry.

Fendi is committed to responsibly sourcing 100% of its strategic raw materials by 2026. The brand prioritizes worker welfare, environment preservation, and biodiversity throughout its animal-based supply chains, guided by LVMH's Animal-based Raw Materials Sourcing Charter.

Fur is a symbol of luxury at Fendi, still the brand ensures that all materials meet rigorous ethical sourcing standards, including full compliance with international regulations and traceability. In 2022, Fendi implemented Furmark, a certification system that guarantees strict animal welfare and environmental standards across its supply chain. By 2023, Fendi aims to source 100% certified Furmark pelts. Moreover, by 2024, 98% of Fendi's leather will be sourced from tanneries certified by the Leather Working Group, which ensures high standards in chemical management, water conservation, and energy efficiency.

²⁸ an independent testing and certification system for textile products for all production types across the textile control chain.

²⁹ an European Union regulation of 18 December 2006 concerning the registration, evaluation, authorization and restriction of chemical substances.

³⁰ law that regulates the presence of chemicals in products marketed in California. The list of substances that may be carcinogenic or toxic to reproduction is updated annually by the Office of Environmental Health Hazard Assessment.

Furthermore, Fendi strictly sources exotic leathers from certified farms, adhering to LVMH's standards for crocodilian leather, which include complete evaluations covering conservation, animal welfare, working conditions, and environmental protection.

As for textile materials, Fendi is shifting towards sustainable cotton, aiming to source 90% from environmentally friendly practices like organic and regenerative farming by 2024. The brand also ensures that most of its wool adheres to the Responsible Wool Standard (RWS), supporting ethical production and community welfare. Additionally, in partnership with Aquafil, Fendi incorporates into its collections ECONYL nylon, made from 100% regenerated materials, while increasing the use of recycled polyester, certified by the Global Recycled Standard (GRS), across its product lines. As for silk, Fendi prioritizes GOTS certified organic silk, promoting pesticide-free cultivation and fair labor practices. By 2024, the brand aims to source 60% sustainable silk including recycled options. For viscose, Fendi uses fibers from responsibly managed forests and works with suppliers committed to environmentally friendly production, trying to reach 70% viscose certified fibers by 2024.

Regarding Fendi's packaging, all paper and cardboard used are 100% recyclable and certified by the Forest Stewardship Council. To optimize the materials used for transportation and protection, Fendi aims to reduce the quantity and volume of packaging materials, prioritize recycled materials, opt for recycled cotton for dust bags by 2024, and phase out virgin fossil-fuel-based plastics by 2026, with a dedicated unit focused on minimizing and reusing plastics across all production sites. Currently, 87% of Fendi's packaging uses recycled plastic, but the brand aims to eliminate all plastic derived from virgin fossil oil by 2026.

Committed to circular economy principles, Fendi has established a waste management system in collaboration with Green Line and Reverso, enabling the recycling of materials and reintegrating them into the fashion industry. In 2023, Fendi achieved 100% garment recycling. The brand partners with social cooperatives and educational institutions to reuse end-of production materials, supporting employment and social integration. Notable collaborations include donations of leather and textiles to Lai-Momo and Cartiera, organizations involved in the Ethical Fashion Initiative of the United Nations. These partnerships provide training and employment opportunities in tailoring and leatherworking for migrant and political asylum seekers. In addition, Fendi has engaged

with Progetto QUID since 2020, donating textiles to support vulnerable female workers in starting careers in fashion.

Regarding circular activities, Fendi's Fur Atelier employs a zero-waste approach, having transformed 583 items using upcycled fur, emphasizing sustainability in their Couture collections. In a recent project at the Milan Montnapoleone Store, Fendi showcased its circular capabilities by transforming fur leftovers into decorative elements for window displays, which were later repurposed into 19 exclusive Baguette bags. Moreover, Fendi's After Sales Service offers care and repairs, ensuring product longevity and reinforcing the brand's dedication to customer satisfaction and environmental responsibility.

Planet care

Fendi is pursuing the prestigious LEED certification for building sustainability and efficiency. In 2023, secured LEED Interior Design and Construction Certification for 27 new stores and aims to certify 16 more by the end of 2024. Additionally, 43 stores achieved LEED Operations&Management certification to enhance sustainability.

Fendi is transitioning to 100% renewable energy by 2026. Energy efficiency measures include a new LED lighting system piloted in Milan, resulting in significant CO2 reduction, with 89% stores now using LED lightning.

Fendi has implemented LVMH's Energy Efficiency Plan, adjusting lightning and temperature settings to reduce energy use, and an Energy Reporting Project has been launched, which involves 74 store installations of energy meters to monitor electricity use in real time.

Fendi has also invested in sustainable initiatives with the establishment of new manufacturing plants in Fermo and Capannuccia, an example of the brand's commitment to eco-friendly operations. Every Italian site and office are certified under ISO 14001 and ISO 45001, the highest Environmental, and Health & Safety standards.

Moreover, Fendi partnered with Altagamma and Ostilio Ricci Institute, based in Fermo, for the launch of the educational project Adopt a School. The main objectives of the program are to fight unemployment and to promote Italian craftsmanship, and to foster links between luxury industries and Italian schools.

People first

Fendi is committed to providing a work environment that values communication and ensures the welfare and safety of employees, underpinned by the recognized LVMH Code of Conduct. The brand complies with local legislation and collective bargaining agreements, which outline the terms of employment, including performance bonuses, welfare plans, and flexible working hours. The company also emphasizes health coverage enhancements.

Fendi promotes services such as remote work options, flexible scheduling, and wellness programs including yoga classes and transportation services.

Moreover, the Maison has a global team comprising over 100 nationalities, with a strong presence of female leadership. The company actively engages in initiatives like FENDInclusion in the U.S.A and FENDI&I in Italy, aimed at enhancing workplace inclusivity and cultural empathy.

Much attention is placed to training programs on topics such as anti-discrimination, unconscious bias, and inclusive leadership. Furthermore, employees at Fendi participate in environmental and social responsibility initiatives such as the WW FENDI ACTION DAY, a day designated for community service. In 2022, Fendi has incorporated sustainability targets into executive performance reviews, that could potentially influence bonus structures. Moving forward, Fendi is still committed to investing in staff sustainability training, including the upcoming Climate Fresk Training for managers and involvement in the LVMH Sustainability Academy.

Fendi fosters open and transparent communication with its employees and external stakeholders, including partners, suppliers, and customers. Moreover, the brand encourages anyone aware of possible breaches of its Code of Conduct to voice their concerns or seek guidance. To support this, Fendi provides access to the LVMH Alert Line, a confidential and secure online platform for reporting any infringements.

Challenges, impacts, opportunities, and performance

This examination of Fendi's sustainability practices reveals an effort to align luxury fashion with environmental and social responsibility. Fendi has set ambitious targets across its operations, though the extent to which these are integrated into the whole process of decision-making remains a critical area for assessment.

The brand's capacity to adapt to the continuous changes of environmental regulations and consumer expectations is both a significant challenge and a strong opportunity for leadership in luxury sustainability.

As indicated by reduced environmental footprints and enhanced worker welfare, the impact of the brand's initiatives suggests positive strides. Nonetheless, continuous, and detailed performance metrics are crucial for verifying these outcomes. Independent audits and public disclosure of performance data strengthen credibility, demonstrating not just compliance but also real progress and leadership.

To conclude, despite having big challenges to face to implement such sustainability initiatives, the benefits to the environment, society, and brand reputation are significant. If Fendi keeps a clear and responsible approach to its sustainable goals, the prospects for market leadership and innovation are numerous.

3.2 Case study – Bulgari

Brand overview and values

Bulgari is an Italian luxury brand established in 1884 by Sotirios Voulgaris. The brand is renowned for its fine jewelry, watches, fragrances, leather goods, and luxury hotels. The brand has been emblematic of Italian craftsmanship and elegance, underscored by its adoption of the classical Latin alphabet in its logo, spelling it as "BVLGARI".

Originating from a modest village in Epirus, Voulgaris embarked on a journey that led him to Naples in 1881 and consequently to Rome in 1894, where he established a jewelry shop that would become the foundation of the Bulgari heritage. The brand gained international fame, attracting celebrities and royalty, including icons like Elizabeth Taylor and Audrey Hepburn.

The second half of the twentieth century saw Bulgari's expansion into the international market opening stores in major cities such as New York, Paris, and Geneva.

When Sotirio's nephews, Paolo and Nicola Bulgari, were appointed president and vice-president of the company, they marked a new era of diversification, introducing new product lines including fragrances and leather goods.

At the beginning of the millennium, Bulgari expanded itself introducing the luxury hotel industry, in partnership with Marriott International. This expansion continued with the

opening of Bulgari Hotels and Resorts in major cities around the world, including Milan, London, Dubai, and Rome.

In 2011, Bulgari entered the LVMH Group. This acquisition by LVMH led to significant investments in advertising and expansion of its global retail network.

Today, Bulgari has around 3000 stores worldwide, including a flagship store in Rome and the world's largest Bulgari boutique in Tokyo³¹.

Bulgari's sustainable initiatives

As stated in the Bulgari's environmental policy of the year 2023³², signed by the CEO of the company, the brand proactively participates in the path towards sustainable development, facing the major environmental challenges, such as climate change, pollution, biodiversity loss, and the lack of natural resources. For these reasons, Bulgari is acting integrating sustainable practices in all its activities.

Moreover, being part of the LVMH Group, Bulgari's approach towards sustainability and responsibility is coherent with the LIFE 360 program of LVMH, relying on its four strategic pillars: creative circularity, biodiversity protection, climate action, and traceability and transparency.

Bulgari's environmental policy aims to promote environmental sustainability among its suppliers, customers, business partners, and local communities. Moreover, this policy aligns with the European Green Deal and the UN's Sustainable Development Goals. It also keeps up with the LVMH Code of Conduct, and the Environmental Charter.

Finally, the policy is communicated to all the employees and made publicly available to external stakeholders.

³¹ Bulgari, "BVLGARI history", <https://www.bulgari.com/en-int/the-maison/about-bulgari/bulgari-history.html>, accessed on March 25, 2024.

³² Jean-Christophe Babin, "Environmental Policy", https://media2.bulgari.com/image/upload/v1695977971/pdf/2023/csr/ENVIRONMENTAL_POLICY_2023_ftn7ji.pdf, accessed on March 25, 2024.

Environmental commitment

Bulgari commits to conducting a responsible source of the materials used in its jewelry collections³³. Based on the data published by the brand on its website³⁴, there is now a detailed analysis of the practices used by Bulgari in its manufacturing processes to enhance sustainability practices.

To enhance transparency in its production chain, in 2015 Bulgari secured the Responsible Jewelry Council (RJC) Chain of Custody Certification and renews it every three years. In the jewelry industry, tracing the origins of gold is often complex. Moreover, Bulgari's suppliers of gold comply with the RJC Code of Practices and Chain of Custody standards, ensuring rigorous oversight of the gold's origin and manufacturing operations. Additionally, Bulgari sources 100% of its gold from industrial recycling processes, and the continuous innovations in technology are more and more facilitating the traceability of gold. It is since 2015 that Bulgari has maintained Chain of Custody Certification (CoC), demonstrating its commitment to responsibly sourced materials. This certification, governed by the RJC according to OECD guidelines, confirms that all gold used in the production processes of the brand's products, is sourced responsibly, ensuring traceability and compliance with environmental standards.

As for diamonds, the brand's image, since the Kimberley Process in 2003, a multilateral trade regime with the aim of preventing the trade of conflict diamonds, Bulgari has ensured that all diamonds it purchases are certified under this scheme. The brand's suppliers of diamonds are affiliated with trade organizations such as the World Diamond Council, which supports the Kimberley Process. Furthermore, Bulgari enforces compliance by employing the World Diamonds Council System of Warranties, ensuring that invoices for diamonds carry declarations that they originate from regions free of conflict and comply with the UN resolutions.

Colored gemstones, also used extensively in jewelry, have an intricate supply chain globally. They are sourced from more than 60 countries, with an estimation of 200 to 300 active colored gemstone mines, with approximately 80% of the gemstones being mined through small-scale, artisanal methods. In 2019, Bulgari revised the RJC Code of

³³ Jean-Christophe Babin, "Responsible sourcing policy for mineral supply chain", https://media2.bulgari.com/image/upload/v1653385221/pdf/2022/Responsible_Sourcing_Policy_for_Mineral_Supply_Chains_hoj24e.pdf, accessed on March 25, 2024.

³⁴ Bulgari website, <https://www.bulgari.com/en-int/sustainability.html>, accessed on March 25, 2024.

Practices for the inclusion of colored gemstones, such as rubies, sapphires, and emeralds, adopting a gradual approach of inclusion, to give suppliers sufficient time to adapt to new standards and practices.

Being a member of the LVMH Group, Bulgari participates in the Colored Gemstones Working Group (CGWG), promoting responsible sourcing of raw materials. In April 2021, the latter introduced the Gemstones and Jewelry Community Platform, an initiative embedded in strong sustainability commitments. Nonetheless, Bulgari ensures that all colored gemstones suppliers adhere to the principles outlined in its Supplier Code of Conduct.

Furthermore, Bulgari commits to enhance its production and supply processes to establish a circular economy framework.

In addition, in 2019 the brand implemented a Plastic-Free Policy and Manifesto, with the aim to decrease the usage of plastics across the company, including its products and packaging. This includes the gradual elimination of single-use plastics from Bulgari's offices, and retail locations. It has been since 2021 that Bulgari introduced plastic-free packaging for its jewels and watches, using responsible sourced materials from paper and wood fiber.

In 2017, the brand opened the Bulgari Manifattura Valenza, the largest jewelry production facility in Europe, created with a focus on energy efficiency and minimizing environmental impact, earning it the LEED Gold Certification, a mark of excellence in sustainability recognized globally. Moreover, the Manifattura Valenza and the High Jewelry Workshop in Rome are both certified under ISO 14001 for Environmental Management Systems and ISO 45001 for Health and Safety Management Systems; the Horizon Distribution Center in Ireland, which earned the LEED Gold certification too, has attained ISO 50001 certification, reflecting the highest standards in Energy Management Systems. By 2022, Bulgari successfully certified 100% of its production sites and distribution centers under ISO 14001.

Finally, as the CEO of the company, Jean-Christophe Babin, said in an exclusive interview for the second edition of the Swiss Genius Awards: «We have been able to reduce the energy consumption of our 320 stores worldwide by over 75%, among other things by changing the lighting system. But we are going one step further by building a pilot store on Rodeo Drive in Los Angeles in early 2024 that will try to be 100% powered

by renewable energy, just like our factory in Valenza. This store will be the pilot for our future stores»³⁵.

Corporate and social responsibility

In 2009 Bulgari launched the “Rewrite the Future” campaign in partnership with Save the Children, to address the lack of educational opportunities facing countless children. Thanks to the sale of a specially designed silver ring, the Bzero 1, this initiative collected significant funds. This project reflects Bulgari’s commitment to corporate social responsibility, highlighting its efforts to support education. This campaign successfully reached £82 million globally and impacted more than two million children and adolescents in areas afflicted by poverty, discrimination, or conflicts.

Moreover, in 2019 Bulgari and Save the Children inaugurated the first Punto Luce delle Arti, a hub for social engagement, academic enrichment, and educational programs, in Ostia. The aim of this project is to enhance the future of children who live in conditions of poverty without access to education. Every year, Punto Luce delle Arti engages 1,000 youths aged six to eighteen, offering programs that cover academic subjects and arts.

In addition, Bulgari developed a project to celebrate the notable accomplishments of women who are proactive in realizing their visions, achieving their goals, and living authentically. It is the Bulgari AVRORA AWARD, established in 2016 in Japan and expanded to China in 2019. The award emphasizes Bulgari’s commitment to illuminating the brilliance within every woman. Moreover, being a brand deeply influenced by the strength and resilience of women, in 2020 initiated the Bulgari Women & Science Fellowship Fund at Rockefeller University in New York, which supports women scientists providing subsidies for their research to fighting Covid-19 and advancing immunology and virology. In relation to this issue, Bulgari has established a Clinical Fund aimed at funding the development and clinical trials of new vaccines to fight Covid-19.

³⁵ Cristina D’Agostino, “Bulgari has initiated a comprehensive study of its carbon footprint worldwide”, <https://www.luxurytribune.com/en/bulgari-has-initiated-a-comprehensive-study-of-its-carbon-footprint-worldwide>, accessed on March 26, 2024.

Governance

Bulgari embraces diversity across age, race, culture, religion, gender, and identity within its workforce, encouraging cross-cultural communication.

Currently, women hold 62% of managerial roles globally. The recruitment process is inclusive, offering equal opportunity to all individuals, implementing training programs such as “Recruiting without Discrimination”, promoting fairness in hiring practices. Moreover, in alignment with its Code of Conduct and inspired by the United Nations Guidelines on Women’s Empowerment, Bulgari actively promotes gender equality and female empowerment within its workforce and community.

Bulgari’s Corporate Social Responsibility (CSR) Department makes sure that all company divisions adhere to responsible practices and that the LVMH Group’s environmental and social commitments are implemented globally.

Furthermore, Bulgari implemented specific policies to formalize its commitment towards human rights, the environment, and health and safety issues. The Human Rights Policy commits the company to comply with national and international human rights standards and to promote these practices among suppliers and business partners; in fact, Bulgari annually publishes statements under the Modern Slavery Act, showing its commitment to ethical practices and human rights. The Environmental Policy reflects the company’s commitment to the conservation of the environment. Finally, the Health and Safety Policy aims at prioritizing well-being of the company’s employees and fostering a safe and healthy work environment.

To conclude, in 2011 Bulgari was first awarded the RJC (Responsible Jewelry Council) Code of Practices Certification³⁶, a globally recognized standard for responsible business practices within the jewelry industry, that is reviewed every three years with rigorous assessments. Thus, Bulgari was among the first in the Jewelry and Watches sector to achieve re-certification under the 2019 updated standards of the RJC’s revised Code of Practices by December 2020.

³⁶ David Bouffard, Melanie Grant, <https://www.responsiblejewellery.com/wp-content/uploads/0000-5114-RJC-Certificate-COP-2019EU.pdf>, accessed on March 25, 2024.

Supply chain

As reported by the company itself³⁷, Bulgari manages supplier risks in line with the RJC's principles and LVMH programs, enhancing the social and environmental performance within its supply chain. The company evaluates potential risks related to each supplier, conducts audits to get an idea on suppliers' compliance with environmental and social standards, and monitors any issues found out during the audits. The auditing methods change annually in collaboration between CSR and Business Units, adhering to rigid auditing standards including SMETA 4 pillars, ISO 14001, Social Accountability SA 8000, and RJC Codes of Practice and Chain of Custody, adopting the best methodology based on identified risks.

In line with its commitment to responsible sourcing, the brand works with its business partners and suppliers to ensure whether the raw materials sourced come from conflict-affected or high-risk areas, and to apply the correct diligence in compliance with the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas, emphasizing human rights and the avoidance of contributing to financing conflicts.

To ensure compliance with UN sanctions and resolutions, Bulgari's policy commits to the five-step framework of the OECD guidance.

Finally, every year Bulgari publishes a Modern Slavery Act Statement, reporting its efforts and compliance in the prevention of every form of modern slavery within its supply chain.

Challenges, impacts, opportunities, and performance

While Bulgari has set ambitious targets and aligned itself with global standards, the biggest challenges lie in its continuous adaptation to emerging sustainability demands and its capacity to drive comprehensive change across its supply chain. However, thanks to the presence of published documents such as the Bulgari Environmental Policy, the RJC Code of Practices Certification, the Modern Slavery Act Statement, and the Responsible Sourcing Policy for Minerals Supply Chain, the company shows its concreteness and truthfulness about its commitment to the environmental, social, and governance issues.

³⁷ Bulgari, "Supply chain", <https://www.bulgari.com/en-int/corporate-social-responsibility/supply-chain.html>, accessed on March 25, 2024.

Thus, for a thorough assessment, continuous review of how the strategies are enacted and their consequent effects is necessary, ensuring that Bulgari's efforts lead to substantive and quantifiable enhancements in environmental and social domains.

3.3 Case study – Acqua di Parma

Brand overview and values

Acqua di Parma, founded in 1916 in Parma by Baron Carlo Magnani, is an Italian company that produces fragrances, bathrobes, candles, and leather accessories. It all started with the invention of Colonia, the first Italian Eau de Cologne, standing out for its refreshing and unique use of real Italian citrus fruits. This fragrance quickly gained notoriety representing Italian elegance in the 1920s and becoming an institution among discerning gentlemen in tailor shops.

In that period, most of commercial perfumes were significantly stronger and heavier in composition, therefore Parma's relatively light and invigorating aroma was a huge success throughout Europe. Acqua di Parma Colonia experienced a "golden age" during the 1930s and 1950s, becoming extremely popular among high-society people and celebrities.

Over time the business expanded its product line, producing a home collection including bathrobes, towels, and leather goods.

Later, in 1993, entrepreneurs Luca di Montezemolo (former chairman of Ferrari), Diego Della Valle (President and CEO of Tod's), and Paolo Borgomanero (a minority shareholder of lingerie shop La Perla), revitalized the brand, moving its Headquarters to Milan and opening the first boutique there. Today, the brand operates 15 boutiques globally and has four barber shops in major cities.

The late 1990s and early 2000s saw the brand expand into women's fragrances and launch the Blu Mediterraneo collection, which captures the essence of the Italian coast.

In 2001, LVMH Group acquired Acqua di Parma, which still maintained its commitment to Italian craftsmanship.

In May 2008, the company debuted in the luxury spa sector with the Blu Mediterraneo Spa in Porto Cervo, Sardinia, and in 2013 the brand opened a second spa in Gritti Palace in Venice.

Finally, Etihad Airways has partnered with Acqua di Parma to provide customized leather packs containing samples of their distinctive fragrance and hand lotion in its business, first-class, and ultimate Residence apartments³⁸.

Environmental Policy

Based on what is reported in the Acqua di Parma Environmental Policy document³⁹, signed by the CEO Giulio Bergamaschi, and the Chief Operating Officer Philippe Colin, the brand is committed to lowering the environmental impact of its operations and those of its suppliers, aligning with the LVMH Code of Conduct and the LVMH Life 360 project.

This policy highlights the company's commitment to sustainability and responsible business practices. It places a strong emphasis on social responsibility, teaching employees about the importance of environmental regulations and providing them with the necessary skills and assistance. By doing so, the brand promotes an environment-conscious and responsible culture. Furthermore, the brand understands the significance of supplier responsibility, guaranteeing that its environmental requirements are met at all stages of production by teaching and assisting the whole supply chain, as well as through specific audit operations. This shows the company's belief of shared responsibility and the value of working together to achieve sustainable objectives.

Eco-design is another important aspect of Acqua di Parma's environmental commitment. The company advocates for the effective and responsible use of resources, aiming to reduce waste and prioritize sustainable, certified, and recycled products whenever possible.

In terms of environmental responsibility, Acqua di Parma has created a series of measures to manage the environmental impact of its offices and stores, monitoring and limiting energy, water, and natural resource consumption, which demonstrates the company's commitment to reducing its environmental footprint.

³⁸ Escentual's Blog, "The history of Acqua di Parma", <https://www.escentual.com/blog/2023/02/14/what-is-acqua-di-parma-known-for/>, accessed on April 2, 2024.

³⁹ Giulio Bergamaschi, Philippe Colin, "Acqua di Parma Environmental Policy", https://www.acquadiparma.com/on/demandware.static/-/Library-Sites-acquadiparmaLibrary/default/dw039daa1c/pdf/ENVIRONMENTAPOLICYv3_ENG.pdf, accessed on April 2, 2024.

Acqua di Parma complies with environmental and social legislation. The company is dedicated to following rules and regulations, which reflect its commitment to legal and ethical business operations. This ensures that the company's operations are carried out with integrity and respect for the environment.

Moreover, the company aims to reduce CO2 emissions, putting a special emphasis on emissions from travel and obsolete lighting equipment. By actively working to reduce its carbon footprint, Acqua di Parma demonstrates its commitment to climate change mitigation and environmental sustainability.

Effective waste management is also a top goal, working to improve it through reuse and recycling; this strategy is also aimed at supporting a circular economy.

Acqua di Parma is also committed to reducing the use of hazardous products and, when such products must be used, the company takes all necessary precautions to ensure they are stored safely, protecting both human health and the environment.

Acqua di Parma's environmental policy also includes encouraging the use of sustainable transportation among employees, trying to reduce the environmental impact of commuting. Furthermore, the company promotes green events and meetings to ensure that its environmental commitment appears in every aspect of its operations. This involves supporting ecologically friendly practices and increasing stakeholder awareness of sustainability issues.

Moreover, the company's "Acqua di Parma Futura" program is a deliberate approach to environmental and social changes.

Acqua di Parma's commitment to environmental sustainability is exemplified by its renewed ISO 14001 certification⁴⁰, which covers its headquarters and all corporate operations.

Acqua di Parma's sustainable initiatives

An innovative sustainable fragrance

It has been since the creation of the brand in 1916 that Acqua di Parma products are Made-in Italy, promoting the Italian heritage and artisanship, and celebrating the beauty of the

⁴⁰ Giorgio Lanzafame, https://drive.google.com/file/d/16KYA26fSgO3GVzMdeT0VUVahIRmvGujM/preview?fpls_ga_cid=34-WBvjf34ID&fpls_ga_bnd=acquadiparma, accessed on April 4, 2024.

sun and the nature. While since its founding the company's purpose was to safeguard and preserve the "Art of Italian Living"⁴¹, in the last few years the brand goal moved to a development of more sustainable practices in all the operations⁴².

"Acqua di Parma Futura" is the company's sustainable program, which deals with the introduction of the new fragrance Colonia Futura. This decision of introducing a sustainable alternative to the already existing fragrances was driven by the finding of potentially harmful ingredients within some of the most favored fragrances produced. Colonia Futura is a development of Colonia, the Maison's classic fragrance, keeping the quality of its Frutti d'Oro, but extending it into the future. This new Colonia comprises 99% natural origin ingredients, in accordance with the ISO 16128 standard. This fragrance takes some of the most classical and appealing ingredients of the Colonia structure, combining Calabrian bergamot and lavender.

To make a fragrance sustainable, the production process must account for both environmental effects and social justice. A truly sustainable scent is created and marketed with a focus on reducing waste, which is critical to avoiding disastrous future consequences in the next years. Moreover, a sustainable fragrance requires a company-wide effort to reduce its carbon footprint and emissions, encompassing all areas of the manufacturing and distribution processes. Furthermore, the ethical aspects of product testing are critical; animal testing is more and more saw as an awful practice, and while certain businesses are continuing to use it, there is a growing movement toward cruelty-free labeling. Thus, ensuring that a fragrance is not tested on animals is an important part of its sustainability. Based on these statements, a sustainable fragrance can be distinguished by an environmentally conscious and socially responsible manufacturing method, a dedication to low-waste techniques, attempts to reduce carbon emissions, and adherence to ethical testing standards⁴³.

From what reported by the interview of Elle with Paola Paganini, product development manager of Acqua di Parma, when she is asked what makes a perfume sustainable and

⁴¹scents inspired by Italy's natural environment, with notes of lemon, bergamot, seawater, and cypress, as well as packaging inspired by Italian long-held love for classic design.

⁴² Mary Cleary, "Future scent: Acqua di Parma's new sustainable perfumery", <https://www.wallpaper.com/beauty-grooming/acqua-di-parmas-new-sustainable-perfumery>, accessed on April 2, 2024.

⁴³ Remi Akande, "The future of sustainable fragrances with Acqua di Parma", <https://remiakande.com/acquadiparma/>, accessed on April 2, 2024.

how she begins the process of creating it, she answers: «To create sustainability that is authentic and tangible, you have to put in a great amount of research and development. For us, with Colonia Futura, it meant spending more than two years finding ways to preserve Italian traditions and revamping them in a dynamic and vibrant way so that future generations get to experience them. We took into account all five pillars of the Acqua di Parma Futura program which includes our products, the community, our impact on the climate, the process and our team who make Acqua di Parma possible today and tomorrow.(...)»⁴⁴.

Sustainable packaging

Acqua di Parma's bright yellow packaging is not only instantly recognizable and clearly representative of the brand, but it is also sustainable. The typical bakelite cap has been replaced by one made of 100% recycled and recyclable plastic. In addition, the dispenser is designed to be readily separated from the glass bottle, allowing for recycling. The label, made of marble quarry dust, decorates both the bottle and the Parma yellow box, with its cylindrical shape. This box is finished in sage green tones which reflect Colonia Futura's main constituent. The outer packaging, made of FSC-certified cardboard, represents a dedication to sustainability. Moreover, the company provides its clients the option to fill and reuse their empty bottles in the boutiques, to manage the product's end-of-life phase. Furthermore, Acqua di Parma allows people to give a new life to boxes by reusing them to plant a Clargy Sage plant, thanks to the use of a free pencil given with the purchase of Colonia Futura. Basically, the only things to do are putting the sponge and soil in the box, planting the pencil, and adding sun and water, and then waiting for the plant to grow.

Social responsibility

Acqua di Parma supported the "Rewrite the Future" campaign of Save the Children, with the aim of helping the most vulnerable children by offering them education and opportunities. The company, through a collaboration with the Emilio Pucci fashion house, dedicated a Christmas collection to this project, the proceeds of which were aimed at helping children and adolescents, especially after the aggravating circumstances of the

⁴⁴ Elle India, "This sustainable perfume is shaking up the fragrance industry", <https://elle.in/article/acqua-di-parma/>, accessed on April 3, 2024.

post-pandemic period. In fact, in 2020, children in absolute poverty reached the number of 1 million in Italy, and 346 thousand more than the previous year. This campaign managed to reach and support 160 thousand children, families, and teachers⁴⁵.

Furthermore, in April 2020 Acqua di Parma launched a month-long campaign called #StayHome, which aimed to provide solidarity to Italy during the Covid-19 pandemic. 100% of online sales revenues from Home collection and personal care products were donated to support initiatives against the Covid-19⁴⁶.

Following the #StayHome program, Acqua di Parma engaged in the new charity campaign #SupportOurFuture, having considered the global emergency (Covid-19) at that time. With the launch of this new initiative, Acqua di Parma has committed to donate 100% from the December e-commerce sales of the Colonia Futura line in Italy to the Francesca Rava Foundation's "HomeSchooling" project. Established in 2000, this Italian non-profit organization is dedicated to assisting children in challenging circumstances both in Italy and globally. In Italy, the foundation combats health and educational poverty. The "HomeSchooling" project strives to provide the right of education for children living in difficult conditions. The project's strength is its holistic approach, offering tablets, PCs, and technical support with internet connectivity, as well as educators who offer support helping children in their education pathway⁴⁷.

Challenges, impacts, opportunities, and performance

To conclude, Acqua di Parma's sustainable initiatives illustrate the company's true dedication to environmental and social responsibility. While these initiatives demonstrate Acqua di Parma's commitment to reducing its environmental impact and improving community welfare, several challenges remain. Moving to sustainable methods frequently necessitates significant financial commitment and logistical issues in ensuring that all aspects of manufacturing comply with strict environmental regulations. However, the benefits are huge. Acqua di Parma's commitment to sustainability not only improves

⁴⁵ LVMH, "Acqua di Parma and Emilio Pucci come together to support Save the Children", <https://www.lvmh.com/news-documents/news/acqua-di-parma-and-emilio-pucci-come-together-to-support-save-the-children/>, accessed on April 5, 2024.

⁴⁶ Mary Cleary, "Acqua di Parma launches #StayHome campaign", <https://www.wallpaper.com/beauty-grooming/acqua-di-parma-stay-home-campaign-italy>, accessed on April 5, 2024.

⁴⁷ Daniele Comunale, "Acqua di Parma rilancia nel charity con #SupportOurFuture", <https://www.milanofinanza.it/fashion/il-ritorno-tailored-dell-uomo-di-celine-202405211630125846>, accessed on April 6, 2024.

its brand image, but also sets a benchmark for the luxury fragrance market. The use of sustainable materials and procedures can result in long-term cost savings and increased consumer loyalty in an increasingly environmentally concerned market. Furthermore, the brand's commitment in the charity projects enhances its social impact to communities and confirms its status as a responsible business.

Acqua di Parma has numerous chances ahead of it. To help strengthen its market presence, continued innovation in sustainable production and stronger engagement in social activities are necessary. Nonetheless, maintaining transparency and continuously assessing the efficacy of these programs will be critical in overcoming mistrust and demonstrating that the brand's sustainability promises are valid.

Overall, Acqua di Parma efforts demonstrate a remarkable blend of heritage and modern responsibility, leading the path for a more sustainable future in the luxury industry.

Chapter 4: comparative analysis

This chapter provides an in-depth analysis on the differences among the sustainable practices adopted by each of the three brands studied in the previous chapter.

Fendi, Bulgari, and Acqua di Parma are luxury brands within the LVMH Group, but they operate in three different sectors, respectively in Fashion and Leather Goods, Watches and Jewelry, and Perfumes and Cosmetics. The aim of this chapter is to understand how each brand navigates its environmental and social responsibilities, and the differences among them. Moreover, this chapter analyzes how these brands leverage their distinctive positions to promote sustainability, the challenges they face, and their effective impact on the environment and society.

4.1 Comparison of Sustainability practices adopted by the three brands of different sectors within the Luxury industry

Despite being brands which operate in different sectors, they all share a commitment for responsible production, environmental care, and social responsibility.

Fendi's sustainable practices focus on ethical product sourcing, planet care, and prioritizing people welfare. The main goals of the company comprehend the adoption of circular economy, the reduction of waste, and the responsible products source.

Fendi's commitment to reducing its ecological footprint is clear, thanks to its adoption of recycled materials, energy-efficient operations, and its attempts to gradually eliminate plastics used only once. Moreover, Fendi prioritizes social responsibility and employee well-being thanks to community services and its adherence to charitable initiatives, which is an aspect joined by Bulgari and Acqua di Parma too.

Bulgari, as well as Fendi, bases its sustainability efforts on responsible sourcing of materials, demonstrated by its adherence to Responsible Jewelry Council (RJC) standards, as regards minerals and gemstones used by the company in its production processes. Furthermore, Bulgari's environmental policy includes carbon footprint reduction, and transparency throughout all its supply chain, promoting sustainability among its suppliers. As said before, Bulgari participates in many charity projects, such as Save the Children, along with Acqua di Parma and Emilio Pucci.

Finally, as for the previous Maisons, Acqua di Parma engages in sustainable initiatives prioritizing eco-friendly production procedures, and ethical sourcing. However, as far as I know having studied the sustainability practices of this brand, it seemed to me to be the brand furthest behind in terms of sustainability compared to the previous ones, since up until now only one fragrance is considered sustainable, the Colonia Futura, and the discovery of the products used in fragrances that are harmful to the environment occurred a few years ago. So, I think the brand can still improve a lot from a sustainable point of view, expanding its line of sustainable fragrances in the future and continuing to keep transparency over the production chain and responsible product sourcing. However, the brand has adopted sustainable packaging. In addition, Acqua di Parma joins Fendi and Bulgari by participating to charity projects, such as “Rewrite the Future” and “StayHome”, demonstrating its commitment to social responsibility. Differently from Fendi and Bulgari, the brand does not say anything about the initiatives taken to safeguard and promote well-being among its employees.

To conclude, being part of the LVMH Group, Fendi, Bulgari and Acqua di Parma adhere to the LVMH Code of Conduct, and act to promote and reach the objectives of the LIFE 360 program of the Group.

4.2 Analysis of best practices and approaches

Among the best practices adopted by each brand, there is Fendi’s commitment towards circular economy through recycling, upcycling, and sustainable packaging techniques, demonstrating the brand’s approach to minimizing its impact to the environment.

Bulgari, especially in the Jewelry industry, succeeds in guaranteeing responsible sourcing and traceability of its minerals and gemstones, in line with the Responsible Jewelry Council guidelines, and in conducting audits to get an idea on suppliers’ compliance with environmental and social standards.

As for Acqua di Parma, its commitment to developing new sustainable fragrances avoiding harmful substances marks a turning point in the Fragrances production and underlines its dedication to environmental care. Moreover, its adherence to social initiatives builds solid community relations which improve the brand’s reputation.

Although these brands have put in place admirable sustainable practices, they could still expand their efforts by further investing in research and development of sustainable

materials, enhancing the traceability of raw materials throughout the supply chain, improving employee engagement in sustainability efforts, increasing training programs, and using digital platforms in a more efficient way to communicate sustainability efforts and achievements. Nonetheless, the Maisons within the Group could create strong partnerships to work together in sustainability projects, exchanging best practices and combining their knowledge, and this may encourage innovation and raise industry standards for sustainability. An example could be the partnership between Acqua di Parma and Emilio Pucci for the campaign “Rewrite the Future”.

Another important aspect to be considered and that could be improved is the customer awareness. It is important to make customers aware about the value of sustainability and how they can support the initiatives took by the Maisons, and this can be reached through enhancing interactive campaigns and open communication, increasing brand loyalty.

To conclude, even though Fendi, Bulgari, and Acqua di Parma have made notable progress in their sustainability efforts, there are still opportunities for further innovation.

Chapter 5: conclusions

The thesis has deeply examined the sustainable practices of LVMH, and then made an in-depth study of the sustainable initiatives of the luxury brands Fendi, Bulgari, and Acqua di Parma. Being part of the LVMH Group, these brands face many challenges and opportunities when it comes to incorporating sustainability within their business operations.

Despite having introduced sustainability practices in the Fashion and Leather Goods sector, Fendi faces many difficulties in expanding these practices throughout its wide range of products. The company shows its commitment by using eco-friendly products and adopting energy-saving techniques, but maintaining regular implementation is a constant challenge due to the intricate global supply chains. Moreover, even though Fendi has made great efforts to promote an inclusive workplace atmosphere, it still needs to make continuous adjustments to respond to changing legal requirements and social expectations.

In the Jewelry division, Bulgari's ethical sourcing of precious metals and stones and its adherence to global sustainability standards, shows its evident commitment to sustainability. However, given the high-risk nature of the jewelry supply chain, marked by environmental degradation, careful supervision and improvement are necessary. Moreover, the company needs to make sure that its policies change to reflect stakeholder expectations and industry changes.

As regards the Fragrances and Cosmetics sector, the Acqua di Parma's new collection Colonia Futura marks a turning point in this industry, combining Italian craftsmanship with cutting-edge sustainable methods. The company is positioned as a leader in this sector, combining both measures for environmental protection and social responsibility. Its main challenge is to continue to innovate in sustainability while preserving the brand's authenticity, and a careful strategy and continuous investment are the key factors for keeping a balance among these factors.

By comparing these brands, they still have opportunity for development, although they have already advanced significantly promoting a sustainable environment in the luxury market. Their initiatives raise attention to how crucial ethical sourcing, transparency, and social responsibility are to contemporary luxury.

In conclusion, the LVMH Group, and particularly Fendi, Bulgari, and Acqua di Parma, are continuously pursuing sustainability. Regular updates are essential for these brands to maintain effectiveness, to leverage new possibilities and address new challenges.

The LVMH Group's commitment to sustainability showcases the industry's overall transition towards responsible practices, emphasizing the crucial role luxury brands have in promoting a sustainable future.

The Group and all the Maisons within it are today, and will be in the future, an outstanding example, demonstrating that luxury and sustainability are complementary rather than antagonistic.

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