

In line with **VALENTINO FASHION GROUP (VFG) Detox Commitment** dated February 6, 2013 and the public's "right to know", this document sets forth details of the actions undertaken by VFG at July 30, 2013 on the roadmap to zero discharges of all hazardous chemicals by January 1, 2020.

1. Restricted Substances List

The **hazardous substances** specified in both Product and Manufacturing RSLs reflect best technology detection limits. It is VFG's goal to eliminate all hazardous substances from its supply chain in line with VFG's Detox Commitment, starting from the 11 groups of hazardous substances identified by Greenpeace, and thereafter proceeding to identify a "blacklist" of other additional hazardous substances used in the supply chain to minimize the impact on consumers' health and the environment. VFG monitors on an ongoing basis hazardous substance use in its own supply chain and will update RSLs by means of the said "blacklist" to reflect developments in best technology, green chemistry and sustainability issues. In line with its Detox Commitment, VFG intends to liaise with other fashion industry players to verify the feasibility of developing and imposing increasingly stringent detection limits.

As one of its priorities, work is in progress to ensure that VFG's **Product RSL** will very soon form an integral and binding part of VFG **supply agreements** applicable to VFG supply chain involved in the production of all VFG's products. The **Manufacturing RSL** is currently used by VFG as the basis for its chemical auditing activities and as a tool for selecting its suppliers.

At present, the Manufacturing RSL focus on discharges into wastewater and it is VFG's intention to extend monitoring activities to sludge to provide a complete snapshot of hazardous chemical releases in the supply chain. In line with VFG's Detox Commitment, VFG intends to achieve elimination of phthalates, APEOs and PFCs within 2013 and additionally to progressively enforce the elimination of at least the 11 priority groups of hazardous chemicals (note 8 of VFG's Detox Commitment). VFG suppliers will be required to submit documentary evidence of chemical compliance for all raw materials, processes, semi-finished and finished goods delivered. Despite the inherent difficulty of obtaining full chemical disclosure upstream in the supply chain, VFG will require suppliers to disclose full chemical data relating to all materials, process and products through audit process verification activities and reports.

Additionally, VFG is carrying out periodically chemical tests on random samples of finished products as part of its ongoing testing program to guarantee control of its global supply chain and, as one of its priorities, VFG will initiate sampling and testing across its supply chain of wastewater discharges in line with its Detox Commitment.

2. Chemical Audit Process

The planning and implementation of chemical audits at VFG's global suppliers is in progress in conjunction with Intertek Testing Services. The global southern region audits will focus on Chinese suppliers and the rest of the global supply chain audits will be conducted at suppliers' facilities located in Italy, given that the latter represent 98% of VFG global suppliers.

The chemical audit process will focus on all **areas of chemical use** at the chosen facility:

- Test reporting (e.g. wastewater and other emissions)
- Approved chemical inventories
- Chemical risk assessment of raw materials and components
- Chemical use in manufacturing processes
- Mixing formulations for materials preparation at the facility
- Wet processes, with specific attention to washing, dyeing and finishing
- Other processes (assembly, packaging etc.)
- Disposal of solid and liquid waste

- Emissions into the environment

The chemical audit process will rely on a number of different **methods of verification**:

- Test reporting (e.g. wastewater and other emissions)
- Tour and overview of the facility
- Review of approved chemicals and MDS;
- Review of approved supplier and supply agreements
- Review of inventory and storage systems and procedures
- Interviews with management
- Interviews with employees
- Public information sources

The chemical audit process will focus on the following aspects of **corporate practices** at the facility:

- Risk assessment procedures
- Chemical storage procedures
- Chemical handling procedures
- Chemical disposal procedures
- Wastewater management
- Air emissions management
- Health and safety rules and regulations
- Training and qualification of employees
- Incident reporting and monitoring

The chemical audit process will generate the following **outcomes** for each facility:

- Wastewater parameters benchmarked against global, country and industry best practice
- Chemical exposure data benchmarked against global, country and industry best practice
- Air emissions parameters benchmarked against global, country and industry best practice
- Water balance benchmarked against global, country and industry best practice
- Recommendations and action plans for further improvement

3. **Substitution Case Studies: Phthalates**

Phthalates have been identified as reproductive and developmental toxicants, though their toxicity varies somewhat depending on the specific phthalate structure. The US EPA classifies DEHP and BBP as probable and possible human carcinogens respectively. Furthermore, phthalates are not chemically bound to the PVC polymer. Thus, over time they leach out of products and diffuse into the air, water, food, house dust, soil, living organisms, and other media, particularly under conditions involving heat. They are also released into the environment during their production, processing and waste disposal.

In order to investigate the use of phthalates throughout the supply chain, VFG has delivered a detailed chemical audit questionnaire to the majority of its global suppliers. Out of 52 suppliers who have responded to date, only 2 have reported phthalates use in production processes or products on the basis of best technology detection limits. These results confirm that use of phthalates in VFG's supply chain is extremely limited. VFG is also investigating the use of phthalates in the PVC parts of certain fashion accessories (such as footwear, belts, handbags, rainwear) and the possible use in polyester dyeing and finishing processes.

A substitution case study is in progress with two Chinese suppliers and the results will be published in due course.