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Can luxury ever guarantee clean supply chains?

Illicit subcontracting is plaguing the 'Made in Italy' supply chain and its reputation for high quality and ethics. As legislators look for ways to stamp it out for good, what part can brands play?

BY

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For so long, fast fashion's rock-bottom prices and complex global supply chains were blamed for low wages, worker exploitation, and health and safety shortcuts. The assumption was that luxury's much higher prices and closer-to-home manufacturing all but guaranteed ethical production.

Now, news that Italian brand Loro Piana has been placed under judicial administration for a year by an Italian court due to allegations of worker exploitation in its supply chain — making it the latest in a string of brands under scrutiny — has shaken the industry. Fellow luxury players Dior, Armani and Valentino (as well as the more mass-market Italian label Alviero Martini) have also been subject to such measures, which allow external administrators to monitor and verify improvements. But Loro Piana's positioning at the top of the pricing pyramid showed no brand is immune to the issues at play in Italy's supply chain — in particular, the practice of subcontracting.

Subcontracting — where a direct supplier outsources certain production processes or orders — is usually triggered by cost pressures and uncertain order volumes, according to Kim Van der Weerd, a former garment factory manager who is now CEO and co-founder of producer-led sustainability think tank Fashion Producer Collective. By subcontracting, factories can keep minimal staff on their books, expanding and shrinking the workforces as necessary with low expenditure.

"The more fragmented the production process, the more difficult it is for workers to identify a violation of their rights and the responsible employer."

A 2021 European Trade Union Confederation (ETUC) report stated that subcontracted workers usually experience the worst working conditions, with rights violations spanning from bogus self-employment (when a worker is held to the same commitments and conditions as a full-time employee but receives no benefits such as a contract or sick pay), to human trafficking. "The more fragmented the production process, the more difficult it is for workers to identify a violation of their rights and the responsible employer," the report found.

All of the brands that have commented on being placed under judicial administration in Italy said they were not aware that their suppliers were subcontracting to factories with below-par conditions, underscoring the lack of visibility in fashion's supply chains, even at the very top end. Brands rely on auditing to check that standards are being upheld, but the small number of factories that illicitly subcontract are adept at hiding it. Meanwhile, traceability technologies such as digital product passports (DPPs) are still in their infancy, and early attempts to rectify the situation have been restricted to voluntary agreements, which experts say have limited potential. The whole system needs to change — and quickly.

"The Italian production system is the real pride of 'Made in Italy'. If the chain gets broken, everyone — workers, designers, stylists, entrepreneurs — will lose," says Carlo Capasa, president of Italy's fashion chamber Camera Nazionale della Moda Italiana (CNMI). "We must step up preventive controls, acting upstream to avoid damage downstream. These pseudo-entrepreneurs [subcontractors] are the real culprits because they exploit labour and distort the market. We must make sure they don't pollute the market."

How the brands have responded

The issues identified by the Italian authorities include the removal of safety devices to facilitate faster work, violence towards workers, extremely long hours, low pay, illegal and unsanitary living arrangements, and the presence of undocumented or unregistered migrant workers. In their responses, brands were quick to condemn the actions of the small number of suppliers that are abusing the system.

In a statement shared with *Vogue Business*, Loro Piana said its supplier breached legal and contractual obligations by subcontracting without the brand's knowledge. Loro Piana terminated all relations in May, within 24 hours of being notified by Italian authorities. The brand added: "Loro Piana firmly condemns any illegal practices and reaffirms its unwavering commitment to upholding human rights and compliance with all applicable regulations throughout its supply chain. Loro Piana is committed to ensuring that all its suppliers comply with the maison's highest quality and ethical standards in line with its code of conduct. In this perspective, Loro Piana has been constantly reviewing and will continue to strengthen its control and audit activities." It also expressed "its full willingness to cooperate with the relevant authorities on this matter" and that it will support any further investigations.

Armani did not provide a comment to *Vogue Business*. However, its 2023 sustainability report, published in the first quarter of 2025, referenced the inquiry. In it, Armani stated: "The group continues to pursue a strategy of continuous improvement in the process of supplier selection, evaluation and monitoring, recognising the importance of this process and reaffirming its zero-tolerance policy on these issues by promoting ethical behaviour and communication. The group is monitoring the development of the […] investigations and reiterates its position that it is not involved in the alleged facts."

In a statement published by *Reuters*, Valentino said it had intensified controls on suppliers in the last few years, with checks including "audits conducted by certified third parties covering the entire production process", leading to the dismissal of producers that did not meet its standards.

Valentino told *Vogue Business* it has no further comment at this time. Alviero Martini did not release a statement and did not respond to requests for comment from *Vogue Business*.

At the time the court order was announced, Dior said it "firmly condemned" the illegal practices uncovered at its two suppliers, in charge of the partial assembly of its leather goods for men, as "unworthy acts, which contradict its values and the code of conduct signed by these suppliers". It ceased orders with those suppliers and vowed to work with the Italian authorities on the investigation. "The Dior teams are working intensely on ongoing reinforcements of the existing procedures. Despite regular audits, these two suppliers had evidently succeeded in hiding these practices," the statement said.

The orders imposed on Alviero Martini, Armani and Dior were all lifted early (Alviero Martini in October 2024, the other two in February 2025), once the brands complied with the court's measures.

In a follow-up statement sent to *Vogue Business* in February, Dior said: "Thanks to a constructive and collaborative dialogue with the Court of Milan and the court-appointed experts, Dior was able to further enhance our supply chain operations and establish a new benchmark for industry best practices. Dior remains deeply committed to upholding and enforcing our values of transparency, integrity and respect throughout our supply chain. We continue to monitor, and whenever possible strengthen, our internal procedures to maintain fair and equitable working conditions for everyone who contributes, with great commitment and skill, to creating the finest quality Dior products."

Valentino and Loro Piana, who were placed under the measures more recently, remain under administration. (The process is described as a preventative measure aimed at "combating the unlawful contamination of healthy businesses by subjecting them to judicial oversight", per court documents.)

A flawed auditing system

The Italian supply chain probe exposes the reality that poor conditions persist in garment factories across the world, including in Europe.

"You could say that choosing countries such as Italy or France that have quite strict regulations can help to reduce the risk of a bad working environment, [but] I would definitely *not* say that a short supply chain means better traceability," says Alexandra Pelka, co-founder of ESG (environmental, social and governance) and SDG (Sustainable Development Goals) consultancy AP Projects. "Companies need to map, manage and verify their supply chains [wherever they produce]."

Brands often rely on auditing for this sort of verification. However, experts flag that it can be a very complex and difficult process. "You go into a company for one or two days, and you can't be 100 per cent sure that you've seen everything, because, of course, they will show you their best behaviour [and] they will all wear their protective gear," says Pelka, who regularly undertakes audits for brands.

Suppliers flag that the auditing process is fragmented and onerous. "I see suppliers that are audited every week or every two weeks, on the same or similar audit scheme [by different brands]," Pelka continues. This onslaught means that rather than dealing with any issues flagged, suppliers are simply throwing resources at the next audit. "Business in Europe, and specifically in Italy, means an overload of bureaucracy, which leads to increased costs," says Andrea Crespi, managing director of Italian fabric supplier Eurojersey.

Part of the problem is that each brand and certification sends its own auditor, duplicating the work, and increasing the pressure and hostility around audits. While there are benefits to independent auditors having no ties to the factory in question, there is also an argument for closer relationships built on trust, with the aim of remediating issues before they escalate and become entrenched. Former garment factory auditor Elliot Mussa now works at the Fashion Workers Advice Bureau Leicester (FAB-L), a grassroots project established to protect vulnerable and exploited workers in the wake of the UK's Leicester scandal in 2020. As *Vogue Business* reported in May, Leicester was another example of rampant subcontracting gone wrong, in a country that purports to have stronger protections for workers, albeit on the fast fashion end of the spectrum. "We need [the same] auditors [to] turn up every day, sometimes twice a day, totally unannounced," Mussa told *Vogue Business*. "You have to win the confidence of the bosses and the workers to see the reality, and to convince them that the audits are there to help them thrive — to build the business, not close the business down."

This could help curb audit fatigue by reducing the number of different auditors factories have to deal with, and stopping the constant duplication. "It would be so much easier for [brands] to just collect the same information once," says Ettore Piacenza, general director of Italian company Piacenza 1733, which supplies fleeces and fabrics to the tailoring and haute couture sectors. "They should find a unique protocol for everyone."

Supply chain data company Sedex owns SMETA, a widely used audit system within the fashion industry. It recommends that audits are either semi-announced, where a site is given a window of several weeks or months, or unannounced, says a spokesperson from the company. Its methodology includes an assessment for disclosed and undisclosed subcontracting, with auditors looking out for telltale signs such as factories not having capacity to meet demand, yet fulfilling order volumes. But brands cannot continuously audit every supplier. "One brand was telling me how they have over 4,000 suppliers, and every year they can only audit about 1,500," says Piacenza.

Technology could fill some of the remaining gaps. Armani, for example, says it is testing DPPs, which can track products from raw material to end of life, on approximately 29,000 garments. Loro Piana and Dior owner LVMH and Prada Group are part of the Aura Blockchain Consortium, which aims to increase the use of blockchain technologies — including DPPs — within the luxury industry.

But while these are being developed and rolled out, experts say urgent action is needed to level the playing field.

Stepping up preventive controls

At the end of May, the Prefect of Milan proposed a voluntary agreement to boost traceability and stamp out exploitation in Italian supply chains. Brands and suppliers will be asked to submit data to a central database, which will then be used to generate a "green list" of approved suppliers. If applied clearly and consistently, experts say it could be a much-needed step towards ensuring compliance across Italy's fashion supply chain.

"You cannot change [the industry] with one measure immediately. But this is a step towards better behaviour in the whole supply chain," says Andrea Sianesi, professor of operations and supply chain management at Politecnico Di Milano, and part of the team that developed the agreement protocol.

Others argue that a voluntary agreement will not go far enough, and legislation is needed.

Currently, transparency and supply chain due diligence are essential elements of the European Union's (EU) Corporate Sustainability Reporting Directive (CSRD) and the Corporate Sustainability Due Diligence Directive (CSDDD), says Natalia Yerashevich, head of transparency and supply chain at EU policy consultancy Ohana Public Affairs. But due to their proposed simplification, oversight may be limited only to Tier 1 — or direct — suppliers, side-stepping the real challenge.

Elsewhere, the DPP initiative and the EU Ecodesign for Sustainable Products Regulation (ESPR) will require a certain level of traceability for products, says Yerashevich, while the Forced Labour Ban, entering application in December 2027, will "definitely prompt more scrutiny of supply chains", she adds, because third-party complaints can trigger investigations by relevant EU authorities.

Italy is exploring legal moves independently, with industry minister Adolfo Urso announcing in late July the intent to develop a law to certify the sustainability and legality of companies in the supply chain. According to a press release from the Ministry of Business and Made in Italy, the law aims to certify the supply chain based on ad-hoc preventive checks, a move it says will exclude brands from being held accountable for the "illicit or opaque behaviour" of suppliers and subcontractors. CNMI is among the first promoters of the initiative, says the body's president Capasa. Italian fashion trade association Confindustria Moda is also working with the government on this, its president Luca Sburlati said in a statement shared with *Vogue Business*, and hopes to address the dual issues of cost pressures and short-term contracts, which it sees as the underlying drivers of subcontracting.

Changing mindsets

Though undertaking due diligence and scrutinising supply chains is an essential move from brands, multiple sources *Vogue Business* spoke to highlight the need for brands to examine and alter their internal operations. Piacenza wants to see labels engage in robust seasonal planning so suppliers can plan their own resources in step, removing any need for subcontracting.


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Tharina Quintero, founder of luxury sustainability consultancy The Good Luxury, suggests linking executive and middle-management remuneration with supply chain compliance and performance — mirroring the connection some brands have forged between executive bonuses and progress on sustainability. “Right now, profits are the measure of success. But we also have to make social corporate responsibility, the environment, investment in stakeholders and engagement with communities a measure of success to rebuild the culture inside of an organisation,” she says. This thinking is the driving force behind a new project from the Centre for Sustainable Fashion and luxury conglomerate Kering, which seeks to overhaul corporate governance with the central benefit of all stakeholders.

“Brands play a crucial role in shaping supplier behaviour,” says Ercole Botto Poala, CEO of Italian merino fabrics supplier Reda. “If transparency and ethical conditions are the goal, then responsible purchasing practices are essential: fair pricing, realistic lead times and long-term relationships that allow suppliers to plan, invest and operate responsibly.” Transparency is a shared responsibility, he stresses. “It starts with creating the conditions that make it possible.”

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