



**FUR IS INCREASINGLY FAUX-PAS: ENGAGING LUXURY BRANDS FOR SUSTAINABLE PRACTICES**

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# Fur is increasingly Faux-Pas: Engaging Luxury Brands for Sustainable Practices

- **Increased concerns around the use of fur have sparked a call from investors for luxury brands to go fur-free**
- **Europe leads the charge in humane regulations guaranteeing the freedom and welfare of animals**
- **As some luxury brands are shifting the responsibility onto their designers, others are embracing the call to implement new standards for the sake of the environment and animal welfare**
- **Although headwinds remain, change within the luxury goods industry appears to be taking shape with the help of investor demand and an increased call for accountability**

## Momentum to engage on fur

From a critical asset to the survival of mankind in prehistory to a much debated luxury item today, fur farming can be defined as the specific breeding of animals for their fur, often characterized by intensive confinement. The modern fur farming industry in Europe can be traced back to 1914, when the first silver foxes were introduced in Norway. A few years later, in the 1920s, mink farming was introduced in the Nordics<sup>1</sup>. Mink now accounts for more than 85% of all international trade of fur skin. Together with China, Europe accounts for approximately 60% of the world production of mink skin, which is estimated at around EUR 6.2 billion according to 2015 figures<sup>2</sup>.

Nevertheless, pressure from animal activists and increasing consumer concerns about animal welfare, has made a number of luxury brands decide to go fur-free. Additionally, several countries have already decided to ban fur, or are in the process of phasing it out. In fact, opinion polls show that the majority of European citizens are against fur farming. In the Netherlands, Belgium, Germany and Switzerland, this number is especially high, with approximately 85% of people opposed to breeding animals for their fur<sup>3</sup>. Using this momentum, three Dutch asset managers: Aegon Asset Management, a.s.r asset management and Actiam, collaboratively approached several luxury brands to discuss this controversial topic.

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1 For more details about the history of fur and fur farming, please refer to <https://www.fureurope.eu/about-us/fur-sector-history/>

2 European Mink Industry — Socio-Economic Impact Assessment, Henning Otte Hansen, phd., Department of Food and Resource Economics, University of Copenhagen, September 19, 2017: <https://www.altinget.dk/misc/Fur-Invasive-19-09.pdf>

3 For more statistics see Animal Ethics in Modern Society on [www.furfreealliance.com](http://www.furfreealliance.com)

While fur and exotic skins used to be a by-product of animal husbandry and products made of animal skin lasted a lifetime, growing demand in the luxury segment<sup>4</sup> means that more animals are needed to meet demand. Trapping animals in the wild is not sufficient, which is why animals are bred for their fur in confined spaces. At the same time, synthetic alternatives are increasingly becoming available. These developments have fed the discussion whether it is still justified to kill animals for their skin. Pro-fur campaigns heavily criticise the environmental impact of faux fur, whereas anti-fur campaigns often lead with ethical arguments. The environmental impact, however, encompasses a number of different inputs and this has not been researched extensively. Overall, it is safe to state that fur farming is not only a controversial issue, but also a complex one.

While we acknowledge that the fashion industry faces many challenges such as water use, pollution and poor working conditions, this publication is about our engagement take-aways related to the production and use of fur and exotic skins.

### **Collaborative engagement effort. Results and reflections**

Investors may be hesitant to be exposed to companies that produce products that contain fur and exotic skins due to environmental, social, governance (ESG) concerns. That is, the normative debate has shifted and there are potentially negative financial consequences for brands using these materials. Investors have different tools available to act on ESG concerns: voting at annual general meetings (AGMs), engagement with investee companies, ESG integration in investment decisions, and exclusion of companies from the investment universe.

Over the course of two years, Actiam, Aegon Asset Management and a.s.r. asset management, collaborated on engagements with five global listed luxury brands to address the controversies related to the topic of fur and exotic leather. We had a constructive dialogue with most of these companies on the reasons for phasing out the use of fur and exotic skins from their collections. Objectives of the engagement were to:

- Understand how the company is using fur and exotic leather
- Understand how the company deals with negative consumer sentiment around fur and regulatory developments
- For the company to commit to a phase out or stop the use of fur

The level of response to the engagement varied. Please refer to Appendix 1 for an overview of most frequently used arguments for and against fur farming and exotic leather. During the engagement, several luxury brands committed to stop the use of fur in their products. However, we are not aware of a ban on exotic leather by these brands. The engagement with companies resulted in the following two reflections and insights.

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<sup>4</sup> McKinsey (2018). The State of Fashion 2019: A year of awakening. <https://www.mckinsey.com/industries/retail/our-insights/the-state-of-fashion-2019-a-year-of-awakening>

## 1. Responsible sourcing standards

Although fur farming practices vary considerably across the world driven by different regulations and enforcement, some regulations have evolved in tandem with the changed societal perception. Some countries, such as the United Kingdom and Austria, have a complete ban on fur farming. Other countries, such as the Netherlands, Croatia and Switzerland, are subject to heavy restrictions or even partial bans. Overall, the European Union can be considered quite advanced in its regulations, based on the fact that it does not only regulate the humane treatment and slaughter of animals raised for food, but also for clothing. Fur farms in Europe are monitored routinely and varying degrees of compliance can be observed. In other countries, such as China and Russia, there is minimal regulatory oversight and demand for fur is growing<sup>5</sup>. Sourcing fur or exotic leather from countries outside of the European Union is arguably more detrimental, given the lax regulations regarding animal welfare and environmental standards.

Trade of animals or animal products such as fur is regulated through the CITES convention. Already in 1965, the UK Government has identified the Five Freedoms of animal welfare that have been adopted by the international community: freedom from hunger or thirst; freedom from discomfort; freedom from pain, injury or disease; freedom to express (most) normal behaviour; and freedom from fear and distress<sup>6</sup>. These are widely used as the basis for animal care protocols or animal welfare audits. Moreover, they have been adopted by various national or international bodies, such as the American Veterinary Medical Association, the World Organization for Animal Health and the Royal Society for the Prevention of Cruelty to Animals.

Moreover, there are standards such as the industry-initiated Welfur<sup>7</sup> or Saga standards and the BSR Animal Sourcing Principles<sup>8</sup>. However, there is little consensus among societal organisations whether these standards actually lead to improved living standards. The framework for the Welfur standard for example, consists of approximately 22-25 criteria, including housing and behaviour. Farms that are not certified are not permitted to trade at auction houses (from 2020 onwards). Although this may introduce more stringent standards in the EU, it is often criticized because it was developed by the fur industry itself and because Welfur allows the continued use of small wire cages.

The standards that are ultimately upheld by businesses therefore depend on the sourcing policies of fashion houses. Most of the luxury brands have sourcing standards in place with provisions for ethical standards and traceability. However, enforcement of these standards seems insufficient in many cases, with the main argument that sourcing mainly takes place in markets with high standards (i.e. EU), whilst

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5 J. Urbanik, C. L. Johnston (2017) *Humans and Animals: A Geography of Coexistence: A Geography of Coexistence*, ABC-CLIO.

6 These are rooted in the 1965 "Brambell Report" Report of the Technical Committee to Inquire into the Welfare of Animals Kept under Intensive Livestock Husbandry Systems," <https://edepot.wur.nl/134379>

7 Welfur (2019). See <https://welfur.eu/>

8 BSR (2019). See [https://www.bsr.org/files/work/SLWG\\_Animal\\_Sourcing\\_Principles.pdf](https://www.bsr.org/files/work/SLWG_Animal_Sourcing_Principles.pdf), <https://www.leatherworkinggroup.com/leather-manufacturers-and-traders>

some materials may still be sourced from countries with standards that may deviate from their sourcing policy. Also, while standards are often created centrally, oversight is decentralized at the brand level, especially as creative freedom and autonomy are considered key for all luxury fashion houses.

## 2. Natural fur vs. faux fur

In recent years, many luxury fashion companies have announced the intention to stop using fur and/or exotic leathers, or have committed to not using animal products altogether. While this is laudable from an animal welfare perspective, it raises questions about the synthetic alternatives that are being used. We, therefore, consulted academic papers to shed some light on this debate.

One argument against synthetic fur is that it is often made from fossil fuels such as petroleum, natural gas and coal. It is also argued that synthetic fur sheds fibres on a microscopic level, which is harmful not only to the environment, but also to our health. According to Stella McCartney, Environmental Profit & Loss (EP&L) assessments have indicated that the extraction and processing of oil into yarn is the most harmful impact of synthetic alternatives.

This environmental impact, however, is not always taken into account. To minimize this negative environmental impact, Stella McCartney has therefore chosen to work with recycled polyester. Using this as a substitute for Brazilian calf leather creates an environmental impact that is 24 times lower, as calculated through the EP&L<sup>9</sup>. Kering is another example of a company that uses EP&L studies to assess its impact.

The environmental impact of natural fur compared to faux-fur is not well understood. To shed light on this topic, a life-cycle assessment (LCA) study was performed by CE Delft<sup>10</sup>. The authors concluded that mink fur is much more harmful to the environment in comparison to the second worst alternative; wool. In fact, mink fur scored worse on 17 of the 18 different environmental themes measured, including climate change, eutrophication, toxic emissions and ozone layer depletion.

A similar conclusion was drawn by an LCA study conducted in 2002, whereby synthetic fur was found to be less impactful on nine out of ten themes measured<sup>11</sup>. This is not entirely surprising, given that animals need to be kept, fed and slaughtered in a humane way. Moreover, the resulting stiff pelts need to be transformed to usable fur, which involves various chemical treatments. We should mention that this life-cycle assessment study does not take into consideration water consumption for cleaning the cages, the manure treatment

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9 Stella McCartney (2019). See <https://www.stellamccartney.com/experience/en/sustainability/themes/materials-and-innovation/vegetarian-leather/>

10 Bijleveld, M., Korteland, M. & Sevenster, M. (CE Delft, 2011) The Environmental Impact Mink Fur Production.

11 M. Van Dijk (2002) Milieugerichte levenscyclusanalyse van de productie van nertsensbont en imitatiebont, University of Groningen (RuG) [https://www.rug.nl/research/portal/nl/publications/milieugerichte-levenscyclusanalyse-van-de-productie-van-nertsensbont-en-imitatiebont\(d2ccdbd6-7f57-45e5-8567-2cf4e7e4b30e\).html](https://www.rug.nl/research/portal/nl/publications/milieugerichte-levenscyclusanalyse-van-de-productie-van-nertsensbont-en-imitatiebont(d2ccdbd6-7f57-45e5-8567-2cf4e7e4b30e).html)

and the energy needed to run a fur-farm. The authors find that their result is largely due to the negative environmental impact of feed. This is because their LCA finds that making one kg of fur requires 11 animals and therefore 563 kg of feed<sup>12</sup>.

Although the LCA study draws the conclusion that faux fur is a more environmentally-friendly option, one should consider the useful life of the material. When comparing natural fur to synthetic fur, proponents argue that a faux fur coat has an estimated useful life of six years, whereas a natural fur coat has a useful life of 30 years<sup>13</sup>. This argument is, of course, dependent on the quality of the synthetic fur. Moreover, it does not take into account quickly changing consumer tastes. Today's faux fur alternatives do appear to have a significantly shorter useful life than the alternative, but there are eco-friendly alternatives available that appear to address most of the concerns with faux fur. A few examples are: using recycled plastic bottles, denim fur made from 100% cotton and hemp-based fur. There are also various plant-based leather products available, such as cork, pineapple leather or lab-cultivated leather, which do not need the toxic tanning process required for natural leather and are, therefore, a preferred option in terms of health, environment and animal welfare.

The luxury brands that were engaged in the past years differ widely in their approach towards faux fur. While some aim to include state-of-the-art techniques in their collections and organise educational programmes together with tech universities, others state that the choice for materials in the collections is entirely up to the designers and it is a deliberate choice of the company leadership to keep distance from this topic.

## Going forward: transparency and alternatives

The goal of the engagement was to gain insight in luxury brands' position towards the use of fur, changing consumer sentiments, regulatory developments, and subsequently, a commitment to phase out fur.

The conversations with luxury brands provided insight into new developments and materials. It was especially helpful to analyse how aware the companies are when it comes to ESG risks, and how innovative they are on the alternative option front. Laggards were those that do not have a long-term holistic view on this controversial issue; whereas, the leaders on the forefront of ESG practices as it relates to fur, surprised us with in-depth and constructive dialogue. At the same time, to mitigate ESG risk and generate ESG opportunities in

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12 Bijleveld, M., Korteland, M. & Sevenster, M. (CE Delft, 2011) The Environmental Impact Mink Fur Production.

13 This study was commissioned by the International Fur Trade Federation (IFTF). Since it is not an independent source, we question the validity of its results.  
[http://www.fureurope.eu/wp-content/uploads/2015/02/LCA\\_-final-report.pdf](http://www.fureurope.eu/wp-content/uploads/2015/02/LCA_-final-report.pdf)

the long-term, companies can improve transparency and traceability of raw material and its environmental and social impacts in their supply chain. As investors, we expect companies to set and communicate a strategy for the use of fur and exotic leather.

In contrast to our own research, none of the brands were particularly concerned on the changing consumer sentiment; stating that there still is much demand— and sometimes even an increased demand, for fur products.

Many luxury brands in the industry have already communicated that they will stop using fur and exotic leather in their collections from now on, two of which were part of this engagement. Out of those companies that continue to use the products, full transparency is expected on how and where the products are sourced. Moreover, we expect them to make a commitment to protect the Five Freedoms of Animals and to uphold the highest social and environmental standards. Furthermore, we expect companies to research, develop and use low-impact alternatives for fur and exotic leather, and to take a holistic view on the overall environmental impact of the raw materials they use. Going forward, in accordance with our investment policies, we will continue to monitor companies' efforts on this topic.

**For questions, please do not hesitate to contact us.**

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# Appendix 1: Most frequently used arguments for and against fur farming and exotic leather

|                      | For the use of fur and exotic leather  | Against the use of fur and exotic leather  |
|----------------------|--|--|
| Customer demand      | <ul style="list-style-type: none"> <li>Customer demand products made from fur and exotic leather, hence we do not see the need to adapt our practices. We will change once customer demand changes.</li> </ul>   | <ul style="list-style-type: none"> <li>It is expected of companies to act in line with ethical norms and values. Not doing so can have reputational consequences.</li> <li>In the Netherlands, Belgium, Germany and Switzerland approximately 85% of people are opposed to breeding animals for their fur. This is expected to further increase and companies should anticipate this.</li> </ul>   |
| Responsible sourcing | <ul style="list-style-type: none"> <li>Materials are sourced in compliance with ethical standards and from markets with high standards (e.g. Europe). It is therefore not unethical to farm animals for their fur.</li> </ul>  | <ul style="list-style-type: none"> <li>Supply chains are often insufficiently transparent for companies to ensure their raw materials are sourced in an ethical way.</li> </ul>  |
| Economic value-add   | <ul style="list-style-type: none"> <li>Fur and exotic leather can have a positive impact e.g. on the livelihood of rural communities and wildlife conservation when animals are trapped in the wild<sup>14</sup>.</li> <li>Fur farming provides jobs and is therefore good for the economy.</li> </ul>   | <ul style="list-style-type: none"> <li>The vast majority of animals are not trapped in the wild and spend their life in confinement.</li> <li>Some argue that it actually harms biodiversity, as it invites invasive species into certain areas. Moreover, the trapping of animals puts pressure on populations of animals that are already at risk<sup>15</sup>.</li> <li>Fur farming jobs are not necessarily stable, since employees are mostly needed during killing and pelting season<sup>16</sup>.</li> </ul> |
| Environmental impact | <ul style="list-style-type: none"> <li>The use of fur and exotic skins should be considered in a holistic way of raw material use in products (zero-waste) and can have a lower environmental impact than alternatives because it is a natural by-product.</li> <li>The useful life of natural fur is much longer than alternatives.</li> <li>Synthetic material sheds micro plastic.</li> </ul> | <ul style="list-style-type: none"> <li>Synthetic alternatives have been found to have a lower environmental impact.</li> <li>Due to technological advancements, alternative materials with the same quality and better ESG profiles are available at scale<sup>17</sup>.</li> </ul>  |

14 CITES (2019). See: [https://www.cites.org/eng/news/cites-further-recognized-as-a-crucial-conservation-tool-that-benefits-wildlife-conservation-and-livelihoods-of-rural-communities\\_08112018](https://www.cites.org/eng/news/cites-further-recognized-as-a-crucial-conservation-tool-that-benefits-wildlife-conservation-and-livelihoods-of-rural-communities_08112018)

15 Fur free Alliance (2019). See Impact on biodiversity on [www.furfreealliance.com](http://www.furfreealliance.com)

16 Respect for animals (2019). See [www.respectforanimals.org](http://www.respectforanimals.org)

17 M. Van Dijk (2002). Milieugerichte levenscyclusanalyse van de productie van nertsenbont en imitatiebont, University of Groningen (RuG). [https://www.rug.nl/research/portal/nl/publications/milieugerichte-levenscyclusanalyse-van-de-productie-van-nertsenbont-en-imitatiebont\(d2ccbd6-7f57-45e5-8567-2cf4e7e4b30e\).html](https://www.rug.nl/research/portal/nl/publications/milieugerichte-levenscyclusanalyse-van-de-productie-van-nertsenbont-en-imitatiebont(d2ccbd6-7f57-45e5-8567-2cf4e7e4b30e).html)  
 Bijleveld, M., Korteland, M. & Sevenster, M. (CE Delft, 2011) The Environmental Impact of Mink Fur Production. [https://www.cedelft.eu/publicatie/the\\_environmental\\_impact\\_of\\_mink\\_fur\\_production/1131](https://www.cedelft.eu/publicatie/the_environmental_impact_of_mink_fur_production/1131)