

LVMH Document de reference and Global Compact COP

Commitment and process

“Successful companies stand the test of time. LVMH knows this well.

Our companies excel in nurturing the value of their brands, continually heightening their power to attract consumers with audacity and respect for a prestigious heritage.

Equally important for long-term success is our unyielding commitment to strong values in terms of ethics, social responsibility and respect for the environment. As actors in economic and social life, we are called to the highest standards of integrity, respect and engagement in our behaviors, everyday, everywhere.

This conviction is not new for us. We adopted an Environmental Charter in 2001. In 2003 we signed the United Nations Global Compact. And in 2008, we introduced a Suppliers’ Code of Conduct to ensure that best practices are applied throughout the entire sourcing chain.

Today, we have taken another important step forward. The Code of Conduct we are officially adopting provides a set of simple principles and behaviors that should guide the Group and each of us in the everyday conduct of business.

LVMH has a global dimension and the world in which we do business is changing at a rapid pace. In the context of this continually evolving business environment, this Code of Conduct constitutes a common benchmark to guide individual initiatives and ensure greater consistency in practices across the Group’s companies and geographies.

My expectation is that all of our companies and people will embrace this Code of Conduct as the best way to support our business and fulfill our sustainable development responsibilities.”

Bernard Arnault, CEO

Criterion 1: The COP describes C-suite and Board level discussions of strategic aspects of Global Compact implementation

Function	Responsibilities	Name of committee
Strategy	Formal board responsibility	
Audit, accounting, risk management	Formal board responsibility All members are nonexecutives	Performance Audit committee
Corporate social responsibility, corporate citizenship, sustainable development	Formal board responsibility Social development Director Environment Director	

Criterion 2: The COP describes effective decision-making processes and systems of governance for corporate sustainability

Resources to support implementation

The functional departments of the Group, each in their respective area, will support the brands in the implementation of the Code of Conduct with a view to a consistent and uniform application of its principles.

LVMH encourages the sharing of experiences and best practices throughout the Group, this being a source of progress for everyone.

Responsibility for implementation

The Board of Directors of LVMH, to which the Executive Management of the Group submits each year a report on the implementation of the Code’s principles, will be the body which ensures its correct application.

In accordance with the principle of subsidiarity inherent to LVMH, the executive management team of each operational and legal entity is responsible for compliance with the principles of this Code. Any employee who notices a non-conformity to one of the principles stipulated within the Code should inform his or her hierarchy.

Verification of implementation

Verification of compliance with the Code of Conduct is incorporated into the internal control mechanism existing within LVMH and follows the procedures in force in the Group.

Criterion 3: The COP describes engagement with all important stakeholders

Pages 82 and 82 of the « document de référence »

Page 61, 63, 68 and 69 of the Annual Report.

Pages 31 to 33 of the 2010 environment report.

Criterion 4: The COP describes actions taken in support of broader UN goals and issues

International agreements supported by LVMH:

- Universal Declaration of Human Rights
- United Nations Global Compact
- OECD Guidelines
- International Labour Organization conventions
- Caring for Climate
- Millennium Development Objectives
- CITES Conventions (on International Trade in Endangered Species)
- Kimberley Process

Page 77 and 94 of the « document de référence »

Pages 54 and 56 of the annual report

Human Rights Implementation

Criterion 5: The COP describes robust commitments, strategies or policies in the area of human rights

A Group Code of Conduct was adopted at the Board meeting following the AGM on May 14th 2009. This Code of Conduct is inspired by the Group's values as well as the principles of the Universal Declaration of Human Rights, the Global Compact and the OECD Guidelines for Multinational Enterprises. It provides the foundation on which our approach is based. More specific areas are covered in the Environmental Charter and the Suppliers' Code of Conduct. Finally, this Code of Conduct does not aim to replace pre-existing ethical documents at the Brand or business group level, but sets out to serve as a common base and source of inspiration. It unites the fundamental principles which represent our shared commitment and serves as a guide for our professional conduct on a daily basis. It recalls the principles of conduct that drive us. This code has been rolled out throughout the Group in year 2009. LVMH is very careful to promote Human Rights and the respect of ILO's fundamental principles. This strong commitment is written in the 2010 Reference Document (1.9 Compliance with international conventions page 84).

Criterion 6: The COP describes effective management systems to integrate the human rights principles

The LVMH Code of Conduct serves as a basis for the drawing-up of codes of conduct at Brand and category business group levels, adapted to their context and their sector. Code of

Conduct is defined on the basis of six fundamental principles: valuing talents, winning the trust of our customers, commitment to the preservation of the environment, implementing and promoting a responsible approach, acting as a socially aware company and winning the trust of shareholders. Thus the principles of this Code can, when appropriate, be developed or specified in relation to local regulations and legislation, and, when they exist, locally applied charters or codes. The functional departments of the Group, each in their respective area, will support the Brands in the implementation of the Code of Conduct with a view to a consistent and uniform application of its principles. The Board of Directors of LVMH, to which the Executive Management of the Group submits each year a report on the implementation of the Code's principles, is the body which ensures its correct application. In accordance with the principle of subsidiarity inherent to LVMH, the executive management team of each operational and legal entity is responsible for compliance with the principles of this Code. Any employee that notices a non-conformity to one of the principles stipulated within the Code should inform his or her hierarchy.

The LVMH Supplier's Code of conduct deployed in March 2008 has been implemented at all Brands and subsidiaries by the end of 2008. This Code was not intended to replace existing Suppliers Codes of Conduct within the Group Companies. In these cases, it could rather be used as benchmark, with the objective of ensuring there are no contradictions, and that we work towards making the Group and the Companies approaches fully compatible. As for Companies where this subject was not addressed, the Group's Code was an excellent basis to build on. The LVMH Suppliers' Code of conduct stipulates the principle and procedures for the inspection and auditing with compliance with the rules as regards social responsibility, environmental management and the fight against corruption. Regular coordination of the purchasing managers enables the exchange of best practices for auditing suppliers to ensure the correct application of the ethical principles defined in the Suppliers' Code of conduct. LVMH also monitors its Brands' business practices with reporting systems and audits (both social and environmental). Many of the Brands' suppliers are required to enforce the SA 8000 social standard and are thus submitted to external audits.

In 2009, an intranet website ("LVMH Mind") was launched to better communicate internally the Group's commitment to responsible corporate citizenship. On this website, specifically devoted to social and environmental responsibility, employees can find the different Code of Conduct implemented within the Group.

Criterion 7: The COP describes effective monitoring and evaluation mechanisms of human rights integration

Verification of compliance with the Code of Conduct is incorporated into the internal control mechanism existing within LVMH and follows the procedures in force in the Group.
Page 54 of the Annual Report.

Criterion 8: The COP contains standardized performance indicators (including GRI) on human rights

In 2010, 262 social audits were carried out, nearly 95% of which by specialized external service providers, at 217 of our suppliers. Nearly one-quarter of these audits showed results in line with our standards and 46% identified minor non-compliance issues. Audits whose conclusions indicated a need for significant improvement by suppliers or the existence of major non-compliance issues accounted for 26% and 2% of audits performed, respectively. In all, 109 corrective action plans were implemented at our suppliers where audits had identified areas in need of improvement. Occasionally, Group brands are compelled to take more extreme measures.

Louis Vuitton has put in place an ethical system of preliminary audits founded on compliance with local regulations as well as the SA 8000 social accountability standard, which is based

on international workplace norms included in the ILO conventions: no child labor, no forced labor, providing a safe and healthy work environment, freedom of association and the right to collective bargaining, no discrimination, disciplinary practices, compliance with working hour and wage regulations. To ensure that they will be able to perform preliminary audits independently, Louis Vuitton's buyers receive theoretical training covering the approach and criteria as well as practical training in the field in the company of an SA 8000 auditor.
Page 61 of the Annual Report.

Labour Principles Implementation

Criterion 9: The COP describes robust commitments, strategies or policies in the area of labour

LVMH is very careful to promote Human Rights and the respect of ILO's fundamental principles.

This strong commitment is written in the 2010 Reference Document (1.9 Compliance with international conventions page 84).

“1.9 Compliance with international conventions

Taking each individual, his or her freedom and dignity, personal growth and health into consideration in each decision is the foundation of a doctrine of responsibility to which all Group companies adhere.

Accordingly, all Group companies have policies for equal opportunity and treatment irrespective of gender, race, religion and political opinion, etc. as defined in the standards of the International Labor Organization. This culture and these practices also generate respect for freedom of association, respect for the individual, and the prohibition of child and forced labor.”

LVMH aims to serve as a model corporate citizen in terms of its human resources practices, especially with regard to the recruitment of future staff members. LVMH's recruitment practices must reflect the Group's values and the highest standards of responsibility and respect for all, on a daily basis everywhere in the world. To this end, the Group's human resources teams use a code of conduct for recruitment. Intended to be applied by all recruitment process participants, this code of conduct reflects the goals, standards and best practices to be observed by each company in terms of the respect for applicants and the effectiveness of methods, regardless of the type of position, the profession or the country involved.

Pages 56 to 62 of the Annual Report.

Criterion 10: The COP describes effective management systems to integrate the labour principles

LVMH is very careful that its employees work in the best conditions.

1. Employees are sensitized during training about labor law and human rights. Besides, the topics of moral and sexual harassment are specifically tackled during these prevention trainings.

2. Whistleblowing is not allowed in France but several LVMH companies based abroad implemented specific procedures such as whistleblowing policy.

3. Different subsidiaries have developed initiatives and tools contributing to grievance resolution:

- Grievance Policy, Grievance Policy Exit Interviews, Grievance procedures: Glenmorangie Company Ltd, Thomas Pink USA, Louis Vuitton Hong Kong...
- HR business partner position dedicated: Parfums Givenchy...
- Non Harassment Policy: Moët Hennessy USA...
- HR Survey: Christian Dior Inc...

- HR Support Best Practice: Louis Vuitton UAE...
- Suggestion and complaints box: Sephora Romania

Since 2008, all of the Group's brands have adopted and promulgated the Supplier Code of Conduct which sets forth the Group's requirements in terms of labor principles (forced labor, discrimination, harassment, child labor, compensation, hours of work, freedom of association and collective bargaining, health and safety, etc...). Relations with any partner necessitate the latter's commitment to comply with all ethical principles enunciated in this Code. This Code of Conduct also sets forth the principle and procedures for the control and audit of compliance with these guidelines. Among many initiatives by Group companies illustrating this commitment, Moët & Chandon, for example, establishes a specifications document presented for signature to its subcontractors that addresses respect for the environment and fundamental labor law compliance, among other issues. Audits are also carried out on suppliers. In its supplier specifications documents, Sephora includes clauses dealing with the individual rights of employees, child labor prevention, equality of opportunity and treatment, working time policy, and the protection of the environment. Louis Vuitton has put in place an ethical system of preliminary audits founded on compliance with local regulations as well as the SA 8000 social accountability standard, which is based on international workplace norms included in the ILO

conventions: no child labor, no forced labor, providing a safe and healthy work environment, freedom of association and the right to collective bargaining, no discrimination, disciplinary practices, compliance with working hour and wage regulations. To ensure that they will be able to perform preliminary audits independently, Louis Vuitton's buyers receive theoretical training covering the approach and criteria as well as practical training in the field in the company of an SA 8000 auditor. Donna Karan International has developed a Vendor Code of Conduct designed to ensure respect for fundamental principles of industrial relations and labor law and for the highest ethical standards. It has also developed a Vendor Profile Questionnaire, a document signed by the subcontractor when the pre-approval request is submitted. The company has also introduced a Vendor Compliance Agreement, which calls for independent audits of suppliers to ensure that commitments have been observed. Similarly, TAG Heuer requires that all new international suppliers submit a written pledge indicating their compliance with the SA 8000 standard. The same is true for Parfums Christian Dior, Parfums Givenchy, and Guerlain, who have introduced specifications documents including compliance with the SA 8000 standard among their provisions.

In 2010, 262 social audits were carried out, nearly 95% of which by specialized external service providers, at 217 of our suppliers. Nearly one-quarter of these audits showed results in line with our standards and 46% identified minor non-compliance issues. Audits whose conclusions indicated a need for significant improvement by suppliers or the existence of major non-compliance issues accounted for 26% and 2% of audits performed, respectively. In all, 109 corrective action plans were implemented at our suppliers where audits had identified areas in need of improvement. Occasionally, Group brands are compelled to take more extreme measures. For example, the Perfumes and Cosmetics business group has declined to continue working with a specific site operated by one of its suppliers that did not meet the standards of its code of conduct for workplace safety and overtime compensation. Additionally, the Donna Karan brand has terminated its relationships with two of its suppliers. Pages 56 to 62 of the Annual Report.

Criterion 11: The COP describes effective monitoring and evaluation mechanisms of labor principles integration

Verification of compliance with the Code of Conduct is incorporated into the internal control mechanism existing within LVMH and follows the procedures in force in the Group. Workgroups comprising experts from various Group Houses presented, as they have each year, a review of their accomplishments and progress made during an annual meeting that

provides an opportunity to exchange best practices, to implement shared tools and reference guides, and to identify new areas meriting attention. In 2010, this work resulted in the creation of a shared supplier database for the Perfumes and Cosmetics business group and the establishment of a common reference guide for supplier assessment. This reference guide will facilitate exchanges between the various Group companies and follow-ups on social and environmental audits, their findings, and any action plans put in place.

In the interest of continued improvement in this area, all of the Group's Houses will continue their supplier audit programs in 2011, together with follow-ups on action plans. Apart from meetings at the Group level for the sharing of experiences, three workgroups (Europe, Americas and Asia) have been created to facilitate and increase the frequency of exchanges within each region.

Pages 56 to 62 of the Annual Report.

Criterion 12: The COP contains standardized performance indicators (including GRI) on labor principles integration

Labor KPIs are available in the 2010 Document de reference (Human Resources section, p.70 to 84).

Since the 2007 fiscal year, the Group's reporting of employee information has been audited each year by the Environment and Sustainable Development department at Deloitte & Associés, the Group's statutory auditors. The verification covered the 'total Group' value of the following social indicators for 2010 : total employees, number of executives, voluntary employee turnover, involuntary employee turnover, new hirings, percentage of women executives, employees trained during the year, average number of training days per employee, work related accidents with sick leave, commuting accidents, number of days lost, frequency and severity rates. For fiscal year 2010, Deloitte & Associés issued a report on those indicators (Reference Document p.85).

Environmental Stewardship Implementation

Criterion 13: The COP describes robust commitments, strategies or policies in the area of environmental stewardship

The Group's Environmental Department has been inspiring the Brands for the past nineteen years with a shared vision for the protection of the environment. It reports directly to the Group Managing Director and defines the outlines for action. It ensures the application of the LVMH Environmental Charter and organizes internal environmental audits.

It also assists the Companies in their various different processes, particularly in terms of training, management, eco-construction, reduction of greenhouse gases emissions, energy savings, eco-design and preservation of biodiversity and water resources.

The LVMH Brands implement the environmental objectives they have defined annually. The environmental managers meet four times a year within the LVMH Environmental Committee in order to share best practices and conduct joint initiatives. All their practices contribute to ongoing improvement and are consistent throughout the Group.

The environmental charter signed by Bernard Arnault in 2001 is a concrete expression of the vision of the LVMH group of how to integrate protection of the environment in its businesses: Aim for a High Level of Environmental Performance

In developing its businesses internationally, LVMH works to align its practices with those that offer the best level of environmental protection around the world.

Foster a collective commitment

The environment is the responsibility of every individual and LVMH believes that awareness, education and training of its employees are top priorities. To ensure a continued high level of

environmental performance, the Group believes it is vital for each company to set precise environmental objectives and implement a management system dedicated to this process.

Control environmental risks

In addition to the most stringent compliance with environmental regulations, which is an absolute duty, the Group intends to focus on risk prevention. As a result, it allocates human and material resources to this goal.

Design luxury products by integrating environmental innovation and creativity

Guided by its overriding concern for high quality, LVMH is working to improve control and better anticipate the environmental aspects related to the life cycle of its products. LVMH encourages all processes that result in environmental innovations and accepts its duty to exercise prudence and take precautions to ensure total safety for the consumer.

Make commitments outside the company

LVMH intends to contribute to the protection of the environment above and beyond just the aspects directly related to its own businesses. Because it considers that promoting respect for the environment is essential, LVMH is developing an active partnership with groups of businesses, local communities and the associations which contribute to this objective.

For the use of exotic skins, all LVMH brands follow the CITES Convention on endangered species

When they use plants coming from an emerging countries, the Perfumes and cosmetics Brands act under the “access and benefit sharing” agreement on the Convention on Biodiversity.

Every year, a public report regarding the environment policies and data and practices of the year is published. The data are verified by external auditors.

Pages 7 to 9 of the “2010 Environment report”

Criterion 14: The COP describes effective management systems to integrate the environmental principles

- Environmental risk and impact assessments

Managing the environmental risks resulting from its operations in the safest possible way is an absolute priority for LVMH, which is taking action in four areas: systematic identification of risks, organization of prevention, protection of industrial assets and people, and deployment of a crisis management procedure. This initiative is being conducted by the qualified professionals in the various companies (safety, quality and environmental officers) who collaborate closely with outside specialists. They pay particular attention to the risks associated with the storage and shipment of raw materials.

- Reducing industrial risks includes a policy of prevention, which means compliance with the highest safety standards. LVMH applies the HPR (highly protected risk) standards to significantly reduce fire risks. A program of incentives for investments in prevention is implemented. This approach is combined with a program to monitor the industrial and environmental risks for which 30 sites were audited in 2010 (30 sites audited in 2010).

- Prevention of product-related risks is ensured by enhanced safety and traceability. The HACCP (Hazard Analysis Critical Control Point) method is used in the Wines & Spirits and Perfumes & Cosmetics business groups. This method increases the ability to anticipate and react in the event of a product recall. A legal watch has also been established to control any change in liability risks, particularly those that could affect the Group's brands.

- The correct application of this policy is controlled through a large number of risk assessments on site along with regular reporting. As a result, the relevance of the risk management policy can be measured and evaluated. Since 2004, the Group has used a risk mapping tool which systematically identifies its industrial, environmental and operational risks

on the basis of common standards. Ranking these risks clearly indicates the cases that must be treated as a priority. This information and warning tool ensures early action to reduce the probability that the dangers identified will occur. The entire Champagne-Cognac-Vodka division is also certified ISO 22000 in food safety management. ISO 22000 is an international norm on harmonizing food safety management practices in order to guarantee maximum safety for the consumer.

- Internal awareness-raising and training on environmental stewardship for management and employees

Creating awareness and motivating employees in the various aspects involved in preserving the environment begins with training. Over 12,577 hours of training were offered in 2010 for this purpose.

The “European Green Week” was an opportunity to launch the “Green Week Contest”: every employee, all over the world, was invited to suggest measures aimed at reducing the use of fossil energy, with the winning measure ultimately being implemented.

Some examples:

- Sustainable Development steering committee representing all departments, employees in the various geographic regions to implement and relay this strategy more extensively.
- Creation of an “Environment day” with seminars on all factories of the Brand.
- Special Issue of the in-house newsletters
- Use the major national and international environmental events to increase employee awareness with games, quizzes, exhibitions, project calls or even group challenges

- Grievance mechanisms, communication channels and other procedures for reporting concerns or seeking advice regarding environmental impacts

There is a public mail address that anyone can use to report about environmental issue or ask any question; environnementvmh.fr

Aware of the advances made through joint study and work in environmental issues, LVMH makes a significant investment in partnerships with national and international NGOs, local communities and educational institutions. For example, the Group is a member of the Orée association (Entreprises, territories and environment) and Vice Chairman of the strategic committee of the Foundation for Research in Biodiversity (FRB). Working with the Orée association, LVMH is heavily involved in the “Biodiversity & Economy” working group. LVMH’s work on measuring the dependence of its activities on biodiversity was presented at the conference of the parties to the Convention on Biological Biodiversity organized by the United Nations in Nagoya in October 2010.

- Inclusion of minimum environmental standards in contracts with suppliers and other relevant business partners

In an effort to ensure consistency between its internal commitments and those of the companies with which it does business, the LVMH Group developed its Supplier Code of Conduct in 2008, with the aim of sharing with its suppliers its philosophy on social and environmental responsibility along with its work, control and audit methods. At the same time, the Group established a buyer task force which collectively deals with these issues.

- Audits or other steps to monitor and improve the environmental performance of companies in the supply chain

Supplier audits have been expanded. In the Wines and Spirits Brands, Hennessy, for example, conducted a vast operation to improve awareness of all buyers last year. Hennessy also offers technical advice on environmental concerns to its various grape suppliers.

At Polmos Zyrardow, the Belvedere distillery has launched a “Green Program” with Polish farmers and its pure alcohol suppliers. It has a threefold objective: to improve the quality of the grains and maintain the Polish Dankowsky varietal; to guarantee safe farming that respects the environment and, finally, to ensure high quality in the distillation process used. The

Champagne Brands also continued audits of the pressing centers during the harvest periods and programs to increase awareness and assist grape suppliers continued.

Other Companies, including Louis Vuitton, Guerlain, Donna Karan, Loewe, Hennessy and Moët & Chandon initiated environmental audits of their suppliers.

Along with these efforts, the Watches and Jewelry business group of LVMH is a member of the Responsible Jewellery Council (RJC), an organization of more than 260 professionals around the world committed to the promotion of ethics, human and social rights and environmental practices throughout the gold and diamond product chain, from the mines to the points of sale. The RJC has developed a certification system for members which requires audits by independent accredited auditors. The scope of the current certification process within the Watches and Jewelry business group includes TAG Heuer, Hublot, Zenith, Chaumet and Fred, as well as the retail subsidiaries in the United Kingdom, Japan and the United States.

- Other established or emerging best practices

In order to encourage employees to go all out and achieve results, environmental criteria have been included in the calculation of profit-sharing since 2003 at Veuve Clicquot and since 2007 at Moët & Chandon. At Veuve Clicquot, three criteria were taken into consideration: water and energy consumption and the quality of selective sorting.

In 2008, Hennessy included an environmental indicator in the calculation of employee incentive compensation.

Approved by its social partners, this new criterion is based on paper consumption. The goal is to achieve a 3% reduction. This initiative is part of the environmental policy that sets, among other objectives, a mean for employees to have a financial interest in the results achieved from their environmental commitment.

Pages 64 to 70 of the Annual Report.

Pages 8 and 9 of the LVMH Environment report

Criterion 15: The COP describes effective monitoring and evaluation mechanisms for environmental stewardship

- System to track and measure performance based on standardized performance metrics

Eco-design of packaging is a major challenge for the Group’s companies. The IPE (Environmental Performance Index), created by the Perfumes and Cosmetics and Wines and Spirits Brands to evaluate, compare and improve the environmental performance of their packaging, takes into account in product development the separability of the materials, the volume and weight, the use of refills and the use of materials that are better for the environment. A grade is given to each package and may lead to a review of some decisions.

- Leadership review of monitoring and improvement results

Pages 14 to 23 of the 2010 Environment Report. (Too important to be copied in this document).

Pages 34 to 37 of the 2010 Environment Report. (Too important to be copied in this document).

- Process to deal with incidents

Pages 23 and 24 of the 2010 Environment Report. (Too important to be copied in this document).

- Other established or emerging best practices

An awareness of energy savings and climate change has long been part of the environmental policy of LVMH, which was a true pioneer when it completed its first Carbon Footprints in 2002 at Hennessy, Parfums Christian Dior, Moët & Chandon and Veuve Clicquot.

Louis Vuitton, Parfums Givenchy, Guerlain, Sephora, DFS, Le Bon Marché and Make Up For Ever then followed. As of this date, all the major Group brands have completed their footprint and are working to implement priority measures in the production of packaging, product shipment, and energy consumption at the production sites and stores.

Pages 88 to 98 of the “Document de référence”

Pages 64 to 70 of the Annual Report.

Pages 11 to 30 of the 2010 Environment Report.

Pages 34 to 37 of the of the 2010 Environment Report.

Criterion 16: The COP contains standardized performance indicators (including GRI) on environmental stewardship

The LVMH Group has been consolidating environmental indicators since 1999, and they have been published since 2001. They have been verified by one of the Auditor’s specialized teams since 2002. These indicators are published in the Registration Document and in the Group’s environmental report.

All the consolidation and calculation rules are defined in the LVMH environmental reporting protocol, which is updated annually, and is available for public consultation from the Environmental Department. Any request to read the document may be made by writing to: environnement@lvmh.fr

External verification of the environmental data and practices:

Since 2003, the LVMH Group has had its environmental reporting voluntarily and independently audited by Ernst & Young, one of the Group’s auditors, in accordance with ISAE 3000 (the International Standard on Assurance Engagements 3000 of the International Federation of Accountants).

For fiscal 2010, the work focused on a selection of 9 indicators relating to the challenges the LVMH Group believes are key (environmental audits, water and energy consumption, CO2 emissions, COD discharges, production and recycling of waste, and packaging marketed). During our work, we directly verified the indicators for a sample of entities representing on average 57% of the total value of the indicators published by LVMH. Every year, the conclusions are presented in the reasonable assurance report (last pages of the LVMH environmental annual report).

Pages 88 to 98 of the “Document de référence”

Page 98 and 99 of the “Document de référence”

Pages 14 to 23 of the 2010 Environment Report.

Pages 38 to 41 of the 2010 Environment Report.

Value Chain Implementation

Criterion 21: The COP describes implementation of the Global Compact principles in the value chain

A. Production methods, supply sources and subcontracting

- Champagne

The name Champagne covers a defined area classified A.O.C. (appellation d'origine contrôlée), which covers the 34,000 hectares that can be legally used for production.

The Group owns 1,679 hectares of champagne under production, which provide a little more than one-fourth of its annual needs. In addition, the Group companies purchase grapes and wines from wine growers and cooperatives on the basis of multi-year agreements; the largest supplier of grapes and wines represents less than 15% of total supplies for the Group's brands. Following the signing of an initial four-year agreement in 1996, another industry agreement had been signed in the spring of 2000 covering the four harvests from 2000 to 2003, which had confirmed the aim of limiting upward or downward fluctuations in grape prices. A new industry agreement was then concluded in the spring of 2004 between the Champagne producers and the region's grape suppliers covering the five harvests from 2004 to 2009. This agreement was renewed in 2009 before its expiry date, setting the framework for negotiations relating to harvests from 2009 to 2013. Each individual agreement must now include an indexation clause for grape prices. The recommended benchmark is the average sales price of a bottle of Champagne, which ensures better value distribution for the market participants and more control over grape price speculation.

For about ten years, wine growers and merchants have established a qualitative reserve that will allow them to cope with variable harvests. The surplus inventories stockpiled this way can be sold in years with a poor harvest. These wines stockpiled in the qualitative reserve provide a certain security for future years with smaller harvests.

Grape prices fell by 4% in 2009 as a result of the economic crisis and excess inventories being held by wine-merchants. The price paid for each kilogram of grapes in the 2010 harvest ranged between 4.85 euros and 5.65 euros depending on the vineyard, a 2% increase compared to 2009.

Dry materials (bottles, corks, etc.) and all other elements representing containers or packaging are purchased from non-Group suppliers.

The Champagne Houses used subcontractors primarily for bottle handling and storing operations; these operations represented approximately 15 million euros.

- Cognac

The Cognac region is located around the Charente basin. The vineyard, which currently extends over about 75,000 hectares, consists almost exclusively of the white ugni varietal which yields a wine that produces the best eaux-de-vie. Charentaise distillation is unique because it takes place in two stages. The eaux-de-vie obtained are aged in oak barrels. An eau-de-vie at full maturity is not necessarily a good cognac. Cognac results from the gradual blending of eaux-de-vie selected on the basis of vintage, origin and age.

Hennessy owns 180 hectares. The Group's vineyard has remained virtually stable since 2000, after 60 hectares of vines were cleared in 1999 as part of the industry plan implemented in 1998. The objective of the plan was to reduce the production area through premiums offered for clearing and assistance given to wine growers to encourage them to produce wines other than those used in the preparation of cognac.

Most of the wines and eaux-de-vie that Hennessy needs for its production are purchased from a network of approximately 2,500 independent producers, a collaboration which enables the company to ensure that exceptional quality is preserved. Purchase prices for wine and eaux-de-vie are established between the company and each producer based on supply and demand. In 2010, the price of wines from the harvest increased by 1% compared to the 2009 harvest.

With an optimal inventory of eaux-de-vie, the Group can manage the impact of price changes by adjusting its purchases from year to year. Hennessy continued to control its purchase

commitments for the year's harvest, and diversify its partnerships to prepare its future growth in various qualities.

Like the Champagne and Wine businesses, Hennessy obtains its dry materials (bottles, corks and other packaging) from non-Group suppliers. The barrels and casks used to age the cognac are also obtained from non-Group suppliers. Hennessy makes only very limited use of subcontractors for its core business.

- Fashion and Leather Goods

In Fashion and Leather Goods, manufacturing capacities and the use of subcontracting vary significantly, depending on the brand.

The fifteen leather goods manufacturing shops of Louis Vuitton Malletier, eleven in France, three in Spain and one in the United States, provide most of the brand's production. All development and production processes for Louis Vuitton's entire footwear line are handled at its site in Fiesso d'Artico, Italy. Louis Vuitton uses third parties only to supplement its manufacturing and achieve production flexibility.

Fendi and Loewe also have leather workshops in their country of origin and in Italy for Céline, which cover only a portion of their production needs. Generally, the subcontracting used by the business group is diversified in terms of the number of subcontractors and is located primarily in the country of origin of the brand: France, Italy and Spain.

Overall, the use of subcontractors for Fashion and Leather Goods operations represented about 43% of the cost of sales in 2010. Louis Vuitton Malletier depends on outside suppliers for most of the leather and raw materials used in manufacturing its products.

After a diversification program launched in 1998 to Norway and Spain, the portfolio of suppliers was expanded to include Italy in 2000. In 2009, as part of a continued effort to bolster this strategic supply source, Louis Vuitton formed a joint venture with Tannerie Masure, which has been providing the company with premium-quality leathers for many years. This partnership will result in the creation of Tanneries de la Comète, where hides will be tanned exclusively for Louis Vuitton using vegetal extracts. For Louis Vuitton, the leading supplier of hides and leathers represents about 38% of its total supplies of these products.

Fendi is in a similar situation, except for some exotic leathers for which suppliers are rare.

Finally, for the various Houses, the fabric suppliers are often Italian, but on a non-exclusive basis. The designers and style departments of each House ensure that manufacturing does not generally depend on patents or exclusive expertise owned by third parties.

- Perfumes and Cosmetics

The five French production centers of Guerlain, Givenchy and Parfums Christian Dior provide almost all the production for the four major French brands, including Kenzo, both in fragrances, and in make-up and beauty products. Make Up For Ever also has sufficient manufacturing capacities in France to cover its own needs. Only the newer American companies, Loewe perfumes and Acqua di Parma subcontract most of the manufacturing of their products.

In 2010, manufacturing subcontracting represented overall about 6% of the cost of sales for this activity, plus approximately 10 million euros for logistical subcontracting.

Dry materials, such as bottles, stoppers and any other items that form the containers or packaging, are acquired from suppliers outside the Group, as are the raw materials used in the finished products. In certain cases, these materials are available only from a limited number of French or foreign suppliers.

The product formulas are developed primarily in the Saint-Jean de Braye laboratories, but the Group can also acquire or develop formulas from specialized companies, particularly for perfume essences.

- Watches and Jewelry

With its five Swiss workshops or manufactures, located in Le Locle, in La Chaux-de-Fonds and in Nyon, the Group provides almost the entire assembly of the watches and chronographs sold under the TAG Heuer, Hublot, Zenith, Christian Dior, Chaumet and Fred

brands. In its watchmaking shop, Zenith also designs and manufactures the mechanical movements El Primero and Elite. In 2009, Hublot celebrated the opening of its new site in Nyon while TAG Heuer inaugurated a new workshop for the manufacture of watch movements in La Chaux-de-Fonds.

In this business, subcontracting represented overall only 5% of the cost of sales in 2010. Because of the very high quality requirements, the components assembled are obtained from a limited number of suppliers, primarily Swiss, with the exception of the leather for the watch bands. In 2010, the industrial subsidiary Cortech in Switzerland manufactured a significant portion of the cases meeting the production needs of TAG Heuer and Zenith. Even though the Group can, in certain cases, use third parties to design its models, they are most often designed in its own studios.

B. Supply chain policy, process and monitoring

LVMH places a priority on maintaining and promoting stable relations with responsible partners (suppliers, distributors, subcontractors, etc.).

Since 2008, all of the Group's brands have adopted and promulgated the Supplier Code of Conduct which sets forth the Group's requirements in terms of social responsibility (forced labor, discrimination, harassment, child labor, compensation, hours of work, freedom of association and collective bargaining, health and safety, etc.), the environment (impact reduction, use of green technologies, waste reduction, compliance with regulations and standards), and the fight against corruption. Relations with any partner necessitate the latter's commitment to comply with all ethical principles enunciated in this Code. This Code of Conduct also sets forth the principle and procedures for the control and audit of compliance with these guidelines.

Audits are also carried out on suppliers. In its supplier specifications documents, Sephora includes clauses dealing with the individual rights of employees, child labor prevention, equality of opportunity and treatment, working time policy, and the protection of the environment. Louis Vuitton has put in place an ethical system of preliminary audits founded on compliance with local regulations as well as the SA 8000 social accountability standard, which is based on international workplace norms included in the ILO conventions: no child labor, no forced labor, providing a safe and healthy work environment, freedom of association and the right to collective bargaining, no discrimination, disciplinary practices, compliance with working hour and wage regulations. To ensure that they will be able to perform preliminary audits independently, Louis Vuitton's buyers receive theoretical training covering the approach and criteria as well as practical training in the field in the company of an SA 8000 auditor. Donna Karan International has developed a Vendor Code of Conduct designed to ensure respect for fundamental principles of industrial relations and labor law and for the highest ethical standards. It has also developed a Vendor Profile Questionnaire, a document signed by the subcontractor when the pre-approval request is submitted. The company has also introduced a Vendor Compliance Agreement, which calls for independent audits of suppliers to ensure that commitments have been observed. Similarly, TAG Heuer requires that all new international suppliers submit a written pledge indicating their compliance with the SA 8000 standard. The same is true for Parfums Christian Dior, Parfums Givenchy, and Guerlain, who have introduced specifications documents including compliance with the SA 8000 standard among their provisions.

Workgroups comprising experts from various Group Houses presented, as they have each year, a review of their accomplishments and progress made during an annual meeting that provides an opportunity to exchange best practices, to implement shared tools and reference guides, and to identify new areas meriting attention.

In 2010, this work resulted in the creation of a shared supplier database for the Perfumes and Cosmetics business group and the establishment of a common reference guide for supplier assessment.

This reference guide will facilitate exchanges between the various Group companies and follow-ups on social and environmental audits, their findings, and any action plans put in place.

In 2010, 262 social audits were carried out, nearly 95% of which by specialized external service providers, at 217 of our suppliers. Nearly one-quarter of these audits showed results in line with our standards and 46% identified minor non-compliance issues. Audits whose conclusions indicated a need for significant improvement by suppliers or the existence of major non-compliance issues accounted for 26% and 2% of audits performed, respectively. In all, 109 corrective action plans were implemented at our suppliers where audits had identified areas in need of improvement. Occasionally, Group brands are compelled to take more extreme measures. For example, the Perfumes and Cosmetics business group has declined to continue working with a specific site operated by one of its suppliers that did not meet the standards of its code of conduct for workplace safety and overtime compensation. Additionally, the Donna Karan brand has terminated its relationships with two of its suppliers.

Reference documents

<http://www.lvmh.com/investor-relations/documentation/governance-and-sri>

Pages 14, 16, 19 and 20 of the "document de référence"

Page 61 of the Annual Report

Anti-Corruption Implementation

Criterion 17: The COP describes robust commitments, strategies or policies in the area of anti-corruption

Criterion 18: The COP describes effective management systems to integrate the anti-corruption principle

Criterion 19: The COP describes effective monitoring and evaluation mechanisms for the integration of anti-corruption

The specific policy regarding prevention of corruption is taken into account by:

- "LVMH Code of Conduct" (See §4 "fighting against corruption"):
"LVMH prohibits any form of corruption. Any payment must reflect a service and legitimate price as described in the contracts and agreements. LVMH only authorizes gifts and invitations in the usual social and commercial situations. LVMH is committed to operating independently in public life. LVMH prohibits the payment of money to political parties, trade unions or cultural organizations in an attempt to promote a particular interest or obtain or maintain an advantage."

The LVMH Code of Conduct -- which has been adopted at the Board meeting following the AGM on May 14th 2009 (inspired by the Group's values as well as the principles of the Universal Declaration of Human Rights, the Global Compact and the OECD Guidelines for Multinational Enterprises) and distributed since May 2009 to all Group employees --, serves as a basis for the drawing-up of codes of conduct at Brand and category business group levels, adapted to their context and their sector.

- "LVMH Suppliers Code of Conduct":
(see page 3: "Anti-Corruption: Our suppliers shall agree to condemn and act against corruption in all its forms, including extortion and kickbacks"): All the Group's brands have adopted and implemented the Suppliers Code of Conduct (deployed in March 2008 and implemented at all Brands and subsidiaries by the end of 2008) which lays down the Group's guidelines for Social Responsibility and the fight against corruption. Any collaboration with a partner requires their commitment to all the ethical principles in this code.

- Tools and processes:

The functional departments of the Group, each in their respective area, will support the Brands in the implementation of the Code of Conduct with a view to a consistent and uniform application of its principles. The Board of Directors of LVMH, to which the Executive Management of the Group submits each year a report on the implementation of the Code's principles, is the body which ensures its correct application. In accordance with the principle of subsidiary inherent to LVMH, the executive management team of each operational and legal entity is responsible for compliance with the principles of this Code. Any employee that notices a non-conformity to one of the principles stipulated within the Code should inform his The correct application of this policy is controlled through a large number of risk assessments at the sites along with regular reporting. As a result, the relevance of the risk management policy can be measured and evaluated. Since 2004, the Group has used a risk mapping tool which systematically identifies its risks on the basis of common standards. Ranking these risks clearly indicates the cases that must be treated as a priority. This information and warning tool ensures early action to reduce the probability that the dangers identified will occur.

Verification

Criterion 22: The COP provides information on the company's profile and context of operation

Pages 5 to 22 of the "document de reference", (too important to be copied in this document).

Criterion 23: The COP incorporates high standards of transparency and disclosure

All financial, social and environmental data are in the "document de reference" (too important to be copied in this document).

Criterion 24: The COP is independently verified by a credible third-party

They data are audited by Deloitte and associés and Ernst and Young. They deliver their report which is in pages 255 to 260, (too important to be copied in this document).