

United Nations Global Compact

Communication on Progress 2012
LVMH

LVMH
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Statement from the CEO

“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.

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

And in 2011 we adopted the Code of Conduct, a set of simple principles and behaviors that 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.

As actors in economic and social life, we are called to the highest standards of integrity, respect and engagement in our behaviors, every day, everywhere.”

Bernard Arnault, CEO

Strategy, Governance and Engagement

Criterion 1: The COP describes key aspects of the company's high-level sustainability strategy in line with Global Compact principles

- ☑ **Major sustainability risks and opportunities in the near to medium term (3-5 years)**
- ☑ **Social and environmental impact of the organization's activities**
- ☑ **Overall strategy to manage sustainability impacts, risks and opportunities in the near to medium term (3-5 years)**

- **Environmental impact:**

- About the main challenges of each business group: 📖 see page 14 of the “2011 Environment report”.
- KPIs "LIFE LVMH Indicators for Environment": In 2011, LVMH collaborated with a number of pilot Maisons – at least one per business group – to devise a strategy for identifying key environmental topics to strengthen its management of the environmental challenges involved. In a first step, 7 Maisons have adopted their own indicators on the basis of 5 "top priorities for 2012" among 9 key-dimensions of environmental performance.

- **Societal impact:**

- Human Capital Management: training & development, compensation policies, expectations from our employees (e.g. stress management, new services at work, compensation policy,...),...
- Nondiscrimination and human rights: diversity & equal opportunity, responsible management of supply chain,...
- Internal strategic development: employment dynamics, retention of know-how and shortage of skilled Human Capital, age pyramid and aging workforce,...
- Local social impact: financing local programs, ratio of local employment, regional development, initiatives developing the employability of people,...
- External context: changing demographics and development in the emerging markets, “low cost” production approach, attention to the Corporate Governance (e.g. transparency, dialogue,...),...

- ☑ **Key performance indicators to measure progress**

- **Social indicators:**

- 📖 See 2011 Reference Document, from page 69 to 77.
- 📖 See "Sustainable Development" in 2011 Annual Report, pages 5-7 and 12.

- **Environmental indicators:**

- 📖 See 2011 Environment Report, from page 24 to 33.
- 📖 See 2011 Reference Document, from page 84 to 88.

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

☑ Involvement and accountability of management (C-suite) in developing corporate sustainability strategy in line with Global Compact principles and overseeing its implementation

• The declarations and commitments linked to Sustainable Development and CSR have been approved by **Bernard Arnault, Chairman and Chief Executive Officer**.

• **Responsibility for implementation:** International charters and agreements signed by LVMH provide the framework for the initiatives led by the Group and its Maisons under the responsibility of the **Board of Directors** and the **Executive Committee**.

- « *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.* » (📖 See "LVMH Code of Conduct" page 19).

• According to the "Charter of the Board of Directors", the **mission of the Board of Directors is especially to:**

- disseminate the collective values that guide the Company and its employees and that govern relationships with consumers and with partners and suppliers of the Company and the Group ;
- promote a policy of economic development consistent with a social and citizenship policy based on concepts that include respect for human beings and the preservation of the environment in which it operates. (📖 see "2011 Reference Document" page 219.)

☑ Corporate governance structure (Board of Directors or equivalent) and its role in oversight of long-term corporate sustainability strategy and implementation in line with Global Compact principles

• The long-term corporate sustainability strategy is led by the Group and its Maisons under the responsibility of the **Board of Directors** and the **Executive Committee**.

• Its implementation involves many Departments and particularly **Financial Communications Department, Environmental Affairs Department** and **Social Development Department**:

- Social Development Department supports the Brands (in the implementation of commitments and regulations about CSR) with a view to a consistent and uniform application of commitments and principles. The LVMH Holding relies on a network composed of 40 Correspondents belonging to business groups and Maisons.
- The Group's Environmental Department supports the Maisons in their respective initiatives, ensuring that the Environmental Charter is observed, and running the Environment Committee which brings together a network of some 50 environmental correspondents from the Maisons several times a year.

The Environmental Department also runs a variety of specialist in-Maisons working groups which deal, for example, with the European REACH regulation, eco-design and energy consumption in stores. (📖 See "2011 Environment Report" page 17).

- Financial Communications Department is responsible for managing relationships with investors and sustainability rating agencies.
- Although the Maisons are represented within the Group's Committee agent network, they also have their own steering committees. Each Maison has additional means, depending on local conditions and the size of its in-Maison projects.

☑ **Goals and incentive schemes for management (C-suite) to promote sustainability strategy in line with Global Compact principles**

- Some of our companies have (for some employees categories) **collective incentives** in order to develop a more effective way to manage business (develop a team spirit and a better service to the customers).
- Different subsidiaries developed initiatives aiming to take into account and experiment several topics in the performance appraisal: **Health & Safety issues** (for example: decrease of work-related accidents), **decrease of turn-over and absenteeism, HR and satisfaction performance...**
- In addition, **environmental performance** is also taken into account: some employees are offered incentives, such as environmental criteria included in profit-sharing contracts in the Wines and Spirits Houses, criteria being the reduction of energy or water consumption, or the quality of waste sorting. 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. At Moët & Chandon, an indicator has been developed, based on electricity consumption, which takes into account all the activities, from grape production to the final product, including all stages pressing, assembly, fermentation, racking, corking and packaging. 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 in terms of number of sheets used per person compared to Hennessy's total consumption at its two sites in Cognac and Paris. The goal is to achieve a 3% reduction. This initiative is part of the new environmental policy signed in June 2008 that sets, among other objectives, a means for employees to have a financial interest in the results achieved from their environmental commitment.

Criterion 3: The COP describes engagement with all important stakeholders

☑ **List of stakeholder groups engaged by the organisation**



☑ **Process for stakeholder identification and engagement**

📖 See "Sustainable development" in 2011 Annual Report from page 9 to 20:

- **Social:** 📖 See "*Underscoring Social Responsibility*", pages 9-11:
 - partnerships with leading business and other schools on all continents: for example, in France the Group has a close relationship with a number of schools, including ESSEC (the LVMH Chair in

Luxury Marketing), HEC (integration seminar for foreign students) and Sciences Po (grants for students from the French Antilles)

- partnership with the CEMS network, a global alliance between international corporations and leading business and management schools
- partnership between Parfums Christian Dior and P.A.R.E. association (Programme d'accompagnement de retour vers l'emploi) helping people on welfare return to work ;
- in France, partnership with "Nos Quartiers ont des Talents" a non-profit association ;
etc....


• **Environment:**  See "*An underlying societal dimension*", pages 19-20 ( See also "2011 Environment Report", from page 35 to 39): In the field of environment and conservation of biodiversity, LVMH is involved in different partnerships with national and international organizations, local authorities and training institutions:

- Climate Project (association launched by Al Gore),
- Green Cross International (the Foundation created by former Russian president Mikhaïl Gorbachev),
- Orée association,
- Foundation for Research in Biodiversity,
- Business for Social Responsibility (BSR)
- TAG Heuer partnership with Leonardo DiCaprio to the benefit of Natural Resources Defense Council and Green Cross International.

UN Goals and Issues

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

 Adoption or modification of business strategy and operating procedures to maximize contribution to UN goals and issues

• **Corporate Social Responsibility Initiatives:** In 2011, Social Development Department of LVMH published a specific report giving a very clear picture of the way in which the Group's sense of responsibility is put into practice and presenting all the social responsibility initiatives carried out over the year by its firms. The fields were selected to cover – in a way that is relevant, global and exhaustive – the various areas usually observed by credit rating agencies, investors and, more generally, all stakeholders involved in the problems of sustainable development and social responsibility. In particular, this report enables us to meet Global Compact requirements. It also aims to identify more clearly best practices in firms and to facilitate their dissemination and reproducibility in-house ( See "Corporate Social Responsibility Initiatives - LVMH 2011 Annual Report", 29 pages).

• **KPIs "LIFE LVMH Indicators for Environnement":** In 2011, LVMH collaborated with a number of pilot Maisons – at least one per business group – to devise a strategy for identifying key environmental topics to strengthen its management of the environmental challenges involved. Each topic was assigned a set of indicators so that the performance of each Maison could be monitored. This initiative is managed and monitored by the executive committee of each Maison and by the executive committee of LVMH. It will

gradually be introduced in all Maisons. To comply with Group strategy, the Maisons may need to devise additional tools that take account of their own specific challenges and activities.

- In a first step, 7 Maisons have adopted their own indicators on the basis of 5 "top priorities for 2012" among 9 key-dimensions of environmental performance.
- In addition, Loewe has adopted a "Vision 2020" road map that covers multiple areas related to risk prevention and mitigation, cost savings, innovation, value creation, image protection and image promotion. More than 150 people were involved in working groups and various reviews that led to the definition of a program to take account of all of the company's operations. It is based on seven key business aspects: employee commitment, product durability, sustainable leather, responsible selling, stakeholder dialogue, responsible and energy-efficient operations, and a responsible supply chain.

☑ Development of products, services and business models that contribute to UN goals and issues

- **2011 best practices:** As an example of new business model, in the field of Non-discrimination, in May 2011, Moët & Chandon created "MHEA, la valeur adaptée", its own entreprise adaptée. An entreprise adaptée ("adapted enterprise" or "EA") is a fully fledged business that employs at least 80% disabled workers. Such workers are able to carry out a professional activity in conditions tailored to their situation. An entreprise adaptée thus offers employees who have developed a disability the possibility of working in optimal conditions with no change to their compensation. MHEA was officially launched on September 29, 2011 in the presence of Chantal Gaemperle, Director of Group Human Resources and Synergies, Marie-Anne Montchamp, Secretary of State attached to the Ministry of Solidarity and Social Cohesion, and Christophe Navarre, Chairman of Moët Hennessy. By creating an entreprise adaptée as a subsidiary of a private company – Moët et Chandon – LVMH has proved to be one of the very few pioneers in this field.

- **See also:**

- 📖 "Sustainable development" in 2011 Annual Report from page 3 to 23.

- 📖 "Human Resources" and "Environment" in 2011 Reference Document from page 67 to 93.

- 📖 2011 Environment Report.

☑ Social investments and philanthropic contributions that tie in with the organization's core competencies, operating context and sustainability strategy

2011 LVMH and Maisons best practices:

1. 📖 See "Sustainable development" in 2011 Annual Report from page 3 to 23:

- **Sponsorship:** "*Corporate sponsorship to support culture, youth and humanitarian action*", pages 22-23: The breakdown of Corporate Sponsorship is not consolidated at a Group level. LVMH Philanthropic contributions notably support culture, heritage and contemporary design, initiatives to support youth, medical research and social programs. For instance, in March 2011, after the earthquake and tsunami in Japan, LVMH has supported the population in undertaking a donation of 500 million Yen (less than 5 M€).

- **Social:** "*Underscoring Social Responsibility*", pages 9-11:

- "Jobstyle" program aiming to boost the self-image of applicants ;
- products sold at Sephora to benefit VAN (Volunteer Architects Network) ;

- Louis Vuitton - SOS Children's Villages Partnership ;
 - partnership between Parfums Christian Dior and P.A.R.E. association (Programme d'accompagnement de retour vers l'emploi) helping people on welfare return to work ;
 - programs facilitating children's access to education in stricken regions after a natural disaster (in Haïti by DFS) ;
 - partnership between Moët Hennessy and Aseema a non-profit organization in India ;
 - donation from LVMH Group to the Robert Debré hospital for research and care for children ;
 - in France, partnership with "Nos Quartiers ont des Talents" a non-profit association ; etc....
- **Environment:** *"An underlying societal dimension"*, pages 19-20 (📖 See also "2011 Environment Report", from page 35 to 39):
 - In the field of environment and conservation of biodiversity, LVMH is involved in different partnerships with national and international organizations, local authorities and training institutions: Climate Project (association launched by Al Gore), Green Cross International (the Foundation created by former Russian president Mikhail Gorbachev), Orée association, Foundation for Research in Biodiversity, Business for Social Responsibility (BSR), TAG Heuer partnership with Leonardo DiCaprio to the benefit of Natural Resources Defense Council and Green Cross International ;
 - Guerlain is partner in the Tianzi natural reserve in China under a 10-year sponsorship agreement comprising reforestation, orchid planting and a social program for local populations ;
 - Louis Vuitton supports the "Forests Are Lovers of the Sea" project whose the goal is to plant trees to help purify the seawater used for oyster farming in Japan ;
 - Chaumet, Guerlain and Louis Vuitton have partnerships around the issue of bee protection ; etc...
2. 📖 See "2011 Reference Document" pages 80-81:
- "Impact of the business on local communities in terms of employment and regional development"
 - "Promotion of education and relations with educational institutions and apprenticeship associations".
3. 📖 See "Corporate Social Responsibility Initiatives - LVMH 2011 Annual Report" (page 28): The Group has made a social and civic commitment to its stakeholders. The firms regularly show their solidarity with those who are most vulnerable and deprived, and support populations that are victim to natural disasters. They carry out actions to encourage and develop local communities.
- **Partnerships with teaching establishments to help underprivileged students:**
 - Companies such as Fendi finance scholarships for university students and promising young designers, and fund leather goods manufacturing schools such as Céline's "Alta Scuola San Colombano" school in Italy.
 - In the UK, Louis Vuitton is working in partnership with the "Young Arts Project". In France, the Group gives financial and human support to Science Po's Priority Education Convention programme.
 - **Social and professional insertion:**
 - Through its sponsoring actions with France's Unemployment Office, Hennessy helps jobseekers to find work.
 - Moët & Chandon is contributing to insertion through a professional insertion organisation and a "Prevention Club" that works to prevent delinquency in deprived areas. The club offers young people the chance to attend educational workshops in their areas of skills.

- In South America, Louis Vuitton supports "Spectaculu", an NGO that gives young people on low incomes in communities in Rio de Janeiro the opportunity to complete their basic education with artistic, cultural and professional development.
- Through various actions, Chaumet supports young jobseekers.
- **Local social development:**
 - Moët Hennessy Asia Pacific and Wenjum provided funding for the "Spring Bud School Building Programme" in the province of Sichuan after the earthquake in 2008. Continuity is provided in the assistance given to schools to improve equipment and give help to poor children and voluntary teachers, etc.
 - Furthermore, through the operation "Hand in Hand for Haiti", set up after the earthquake in January 2010, DFS participated in the rebuilding of a school complex for the most deprived children from the Saint-Marc district. The operation continued in 2011 with the opening of the Jean-Baptiste Pointe du Sable School that now teaches 153 children aged between 3 and 5. Over the next few years, the number of pupils will increase to 720.
 - In 2010, Louis Vuitton made a pledge to work with SOS Villages d'Enfants for a period of 5 years. This partnership, which aims to offer children from all over the world a better life, instigates and supports a great number of projects. As part of the partnership, the company has set up a whole series of measures over the last two years (creating or renovating playgrounds, setting up university scholarships, building a learning centre, etc.).
 - After the earthquake that shook Japan in March 2011, several firms took action. DFS founded "One Japan". An interdisciplinary taskforce was created within the company, composed mainly of Japanese members. Louis Vuitton made a donation to victims and to the not-for-profit organisation "Forests are Lovers of the Sea" in Miyagi, a region very badly affected by the earthquake in March 2011. MHAP, Fendi and Loewe also rallied to help Japan.
 - In Belgium, Louis Vuitton set up a 5-year partnership with Amsterdam's Rijks Museum, giving lessons to children whose parents were visiting the museum.
- **Partnerships with organisations and NGOs:** The Group and its firms set up numerous partnerships with organisations and NGOs, particularly for the benefit of ill people.
 - In Russia, Louis Vuitton made a donation to fund an orphan who needed heart surgery. The firm provides funding for the "Vera" hospital that gives medical and social help to cancer sufferers through various organisations. Guerlain gives funding to the Cancer League.
 - Moët & Chandon has set up a partnership with "Soif de Vivre", an organisation of former alcoholics to help people beat alcohol addiction. MHAP and MHDHK sponsored the road safety and drink-driving campaign organised by the Hong Kong's Road Safety Council.
 - To celebrate the company's 50th anniversary as well as 50 years of philanthropy, DFS gave a percentage of its sales to local charitable works.
 - At The Glenmorangie, a charity committee works with employees to raise funds for the company's "Charity of the Year".
 - In Asia Pacific, Louis Vuitton made a donation to build an outdoor activity centre for the children in the village.
 - In the UK, Moët Hennessy organised a partnership with "Centrepont", a charity organisation based in London and dedicated to young homeless people. The firms support numerous local charities such as SoulTalk, Ponto Bali, Amfar, Charity Bal, Unicef, Charity Vogue China, Royal College of Art - London, Telethon, Smile Train Onlus, Aibi ("friends of the children"), Luiss, American Cancer

Society, The Buddy Program, Coalition for the Homeless, University of Hawaii, Art Department, Houston Grand Opera, Family Services of Greater Houston, Atlanta Ballet, "Frimousses de créateurs" for UNICEF, Audrey Hepburn Foundation, School for Children, Naked Heart and so on.

☑ Public advocacy on the importance of one or more 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 (*voluntary and complementary action platform for UN Global Compact*)
- Millennium Development Objectives
- CITES Conventions (*on International Trade in Endangered Species*)
- Kimberley Process

- In order to support Global Compact, LVMH contributes to local efforts through **the Ile-de-France Sustainable Development Club**. Formed in 2007, this club works to disseminate best practices to small and medium sized businesses and has established a system of cross audits between companies with similar concerns and resources. In 2012, LVMH continued sharing best practices with small and medium-sized companies in the Paris region in conjunction with the Île-de-France Sustainable Development Club.

- The LVMH Environmental Department participated to "Global Compact Day" organized during the **Rio+20 Earth Summit** in June 2012.

☑ Partnership projects and collective actions in support of UN goals and issues

As an example, LVMH participates to the **French platform on "Business and Biodiversity"** [led by Orée Association and **put in place by the Convention on Biological Biodiversity**] at the Hyderabad Conference of the Parties to the UN Convention on Biological Diversity (CBD) on 2012 October. In addition, the LVMH group subscribes to France's "2011-2020 National Biodiversity Plan" which was unveiled by the French government on the eve of World Biodiversity Day on May 22, 2011. The plan contains France's share of the international commitments endorsed in Nagoya in 2010 to curb biodiversity loss. In 2012, LVMH has been labeled under the National Biodiversity Strategy driven by the French Administration.

Human Rights Implementation

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

☑ Commitment to comply with all applicable laws and respect internationally recognized human rights, wherever the company operates (e.g. the Universal Declaration of Human Rights)

The Group is committed to acting responsibly in every business sector, and to ensuring that human rights are respected in all of its establishments including in countries where these rights are not sufficiently entrenched. LVMH is very careful to promote Human Rights and the respect of ILO's fundamental principles.

- This strong commitment is written in the 2011 Reference Document (📖 "1.9. Compliance with international conventions", page 81): « **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. »**

- The **LVMH Code of Conduct**, adopted in May 2009, covers all brands and all employees of the Group. This Code and its principles must be respected by each employee, each brand and each business group of LVMH. The LVMH Code of Conduct serves as a basis for the drawing-up of codes of conduct at brand and business group levels, adapted to their context and their sector. 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 LVMH Code of Conduct reminds "International agreements supported by LVMH" (📖 page 21) and particularly on "social stakes":

- Universal Declaration of Human Rights.
- United Nations Global Compact.
- OECD Guidelines.
- International Labour Organization conventions.
- Millennium Development Objectives.

Accordingly, « **LVMH respects and defends the principles of the Global Compact in relation to fundamental rights and principles in the workplace, namely:**

- *elimination of professional and employment discrimination;*
- *freedom of association and effective recognition of the right to collective bargaining;*
- *elimination of any form of forced or bonded labour;*
- *effective abolition of child labour. »* (📖 page 10)

« *Respecting and supporting human rights: LVMH respects and promotes human rights and makes sure that its activities do not encourage human rights abuses. LVMH intends to reflect its attachment to human rights through exemplary behaviour in the operation of its business and to encourage, within its sphere of influence, the improvement of social conditions which constitute an essential factor in economic development. »* (📖 page 14)

- The **LVMH Supplier's Code of conduct** deployed in March 2008 has been implemented at all Brands and subsidiaries by the end of 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...).

• Since 2009, the "**LVMH Code of Conduct for Recruitment**" has been widely disseminated to all employees active in recruitment processes across the Group. It sets forth the ethical principles to be observed in recruitment at LVMH and guarantees that fair hiring practices are followed at all of the Group's operations worldwide. This Code of Conduct is embodied in fourteen commitments, which aim in particular to prevent any form of discrimination and to promote diversity. Across the Group, ethical principles to be applied in recruitment and the LVMH Code of Conduct for Recruitment are reinforced by the training program "Recruitment without Discrimination".

☑ Statement of policy expressing commitment to respect and support human rights approved at the most senior level of the company

The previous declarations and commitments have been approved by **Bernard Arnault, Chairman and Chief Executive Officer**.

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. »* (📖 See "LVMH Code of Conduct" page 19).

According to the "Charter of the Board of Directors", the **mission of the Board of Directors is especially to:**

- disseminate the collective values that guide the Company and its employees and that govern relationships with consumers and with partners and suppliers of the Company and the Group ;
- promote a policy of economic development consistent with a social and citizenship policy based on concepts that include respect for human beings and the preservation of the environment in which it operates. (📖 see "2011 Reference Document" page 219)

☑ Statement of policy stipulating human rights expectations of personnel, business partners and other parties directly linked to operations, products or services

LVMH respects and promotes human rights and makes sure that its activities do not encourage human rights abuses. LVMH intends to reflect its attachment to human rights through exemplary behaviour in the operation of its business and to encourage, within its sphere of influence, the improvement of social conditions which constitute an essential factor in economic development. LVMH demonstrates active solidarity with humanitarian and social causes and also provides continuous support for medical research on public health challenges in France and the rest of the world.

☑ Statement of policy publicly available and communicated internally and externally to all personnel, business partners and other relevant parties

The following statements and documents are publicly available on the LVMH website (<http://www.lvmh.com/investor-relations/documentation/governance-and-sri>).

- The ethical and good governance principles are included in the "LVMH Code of Conduct", which **has been communicated since May 2009 to all Group employees**. This Code of Conduct serves as the common foundation and source of inspiration in this area for all of our brands or business lines. In particular, in the Houses, the Group recommends and oversees the implementation of codes of conduct, supplier charters, formalized procedures for declaring and monitoring conflicts of interest, and the implementation of delegation matrices that outline the responsibilities and powers of each employee.
- The "Supplier's Code of Conduct" is shared with suppliers and other stakeholders. Applied by all the Brands of the Group, compliance with the Supplier's Code of conduct is a requested condition for collaboration.

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

☑ On-going due diligence process that includes an assessment of actual and potential human rights impacts

- **On-going due diligence of the Supply Chain:** "Supplier's Code of Conduct" adopted in March 2008 is applied by all the Brands of the Group: compliance with the Supplier's Code of conduct is a requested condition for collaboration. (📖 See "2011 Reference Document" note 1.8.1 pages 79-80.)
 - 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 the Group Code of conduct, a paragraph is dedicated to implementation and compliance, specifying the principles of implementation, the resources to support implementation, the responsibility for implementation and the verification of implementation processes.
- **2011 best practices:**
 - LVMH pledges to maintain and **promote responsible collaborations with its partners** (suppliers, sub-contractors etc.).
 - Moët Hennessy Diageo France signs ethical engagements with its sub-contractors.
 - The Glenmorangie Company Limited employs a method to assess its suppliers by establishing an assessment form. A series of questions is put to suppliers to assess their performance in terms of human rights. If suppliers – particularly those who are not members of the European Union – do not meet assessment criteria, the company reserves the right to conduct an audit and/or refuse their services.

- Several companies such as Louis Vuitton, Kenzo, Loewe and LVMH Fragrance Brands audit their suppliers with regard to child labour, working hours, employee health and safety, etc.
 - LVMH Fragrance Brands has laid out its code of ethics within the framework of the Perfumes and Cosmetics sector, and communicated this with a letter from the CEO to its suppliers. Suppliers then sign an agreement before orders are approved.
- **Specific due diligence:** As an example, LVMH’s Watches and Jewelry business group is a member of the “Responsible Jewellery Council” (RJC), an organization bringing together more than 260 member companies committed to promoting ethical behavior, human rights and social and environmental practices throughout the industry, from mine to point of sale. The RJC has developed a certification system, which applies to all members involved in the diamond and gold jewelry supply chain and requires that compliance with the system be verified by accredited, independent Auditors. Bulgari, TAG Heuer, Chaumet and Fred have been certified in 2011. Zenith was certified in January 2012 and Hublot and Louis Vuitton’s jewelry business in the first half of 2012.

☑ **Internal awareness-raising and training on human rights for management and employees**

- 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. The Group makes every effort to prevent and deal with phenomena such as harassment and stress in the workplace.
 - In 2011, the companies that make up the Group discuss ethical questions with their employees, particularly questions regarding human rights:
 - Hennessy organised a conference for senior managers given by Nicole NOTAT, CEO of VIGEO (European ESG rating agency), on companies’ social, civil and environmental responsibility.
 - The Glenmorangie, Moët Hennessy Asia Pacific, Moët Hennessy Diageo France, Louis Vuitton, De Beers, and DFS discuss matters concerning human rights, non-discrimination and equality with their employees by means of posters, Intranet sites, in-house media and in new employee guide booklets.
 - Moët Hennessy Asia Pacific and Sephora USA inform their employees of their own business codes, each including a clause concerning discrimination and harassment.
 - At Sephora USA, all new vendors must sign the LVMH Vendor Code of Conduct.
 - At Louis Vuitton, in the Ukraine and Russia, all new employees are trained in in-house internal policies, including the code of ethics.
 - The Group continued to implement the plan for the prevention of psychosocial risks in 2011, covering the following points: diagnostics/barometers (Hennessy), steering committees, awareness raising and training for affected staff, support units (Parfums Christian Dior, Veuve Clicquot, Loewe, Guerlain, Sephora Inc. etc.), work organization reviews, balance between private and professional life, organization overhauls, harassment prevention. (📖 See best practices in "2011 Reference Document" page 78.)
- Across the Group, ethical principles to be applied in recruitment and the LVMH Code of Conduct for Recruitment are reinforced by the training program “Recruitment without Discrimination”. Across the Group, ethical principles to be applied in recruitment and the LVMH Code of Conduct for Recruitment are reinforced by the **training program “Recruitment without Discrimination”**. This training initiative, introduced in 2011 for all LVMH human resources managers at various Group companies, invites

participants to dissect the recruitment process and assess the impact of stereotypes and prejudices with the goal of reducing the risk of discrimination at each stage in the process. To date, more than a hundred human resources managers have completed this training.

- Gender diversity is an integral part of LVMH culture. For instance, in 2011 LVMH launched a **mentoring scheme for women**. Maisons within the Group have their own corporate agreements regarding gender equality in the workplace, such as provisions for working conditions, salaries and career development, as well as for improving the balance between private and professional life, particularly when it comes to male parenthood.

☑ Operational-level grievance mechanisms for those potentially impacted by the company's activities

- Any employee who notices a non-conformity to one of the principles stipulated within the LVMH Code of Conduct **should inform his or her hierarchy**. *« 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. »* (📖 See "LVMH Code of Conduct" page 19).

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

☑ Allocation of responsibilities and accountability for addressing human rights impacts

- International charters and agreements signed by LVMH provide the framework for the initiatives led by the Group and its Maisons under the responsibility of the **Board of Directors** and the **Executive Committee**.

- The Board of Directors of LVMH, to which the Executive Management of the Group submits each year a report on the implementation of the LVMH 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.

- The functional departments of the Group, like RH Department and particularly **Social Development Department**, will support the Brands (in the implementation of commitments and regulations about CSR stakes linked to human rights impacts) with a view to a consistent and uniform application of commitments

and principles. The LVMH Holding relies on a **network composed of 40 Correspondents** belonging to business groups and Maisons.

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

☑ System to monitor the effectiveness of human rights policies and implementation, including in the supply chain

• Questionnaire and preliminary audits:

- 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.
- Guerlain actively manages its supplier relationships on a number of levels. All calls for tender include a paragraph formally setting out what is expected of contractors in terms of their commitment to sustainable development. A questionnaire has also been sent to more than 80% of strategic suppliers to assess their environmental and social practices. Finally, a special audit was performed on one of the Maison's strategic suppliers.
- 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.
- The Glenmorangie Company Limited employs a method to assess its suppliers by establishing an assessment form. A series of questions is put to suppliers to assess their performance in terms of human rights. If suppliers – particularly those who are not members of the European Union – do not meet assessment criteria, the company reserves the right to conduct an audit and/or refuse their services.

• Supplier's commitment:

- Moët & Chandon and Glenmorangie, for example, establish a specifications document presented for signature to their subcontractors that addresses notably fundamental labor law compliance, among other issues. Audits are also carried out on suppliers.
- Moët Hennessy Diageo France signs ethical engagements with its sub-contractors
- LVMH Fragrance Brands has laid out its code of ethics within the framework of the Perfumes and Cosmetics sector, and communicated this with a letter from the CEO to its suppliers. Suppliers then sign an agreement before orders are approved.

- Sephora has developed a supplier specifications documents including 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.
- **Standards and regulations:**
 - TAG Heuer and Loewe require that all new 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.
 - Loewe also requires its suppliers to have ISO9001/14011/OSHAS 18000 certification.
- **Audits:**
 - Relations with any partner necessitate the latter's commitment to comply with all ethical principles enunciated in the Supplier's Code of Conduct. Several companies such as Louis Vuitton, Kenzo, Loewe and LVMH Fragrance Brands audit their suppliers with regard to child labour, working hours, employee health and safety, etc.
 - In 2011, **453 social and/or environmental audits** were carried out, nearly 80% of which by specialized external service providers, at 346 of our suppliers. Among these audits, 380 related exclusively to social criteria. More than one-third of these audits showed results in line with our standards and 38% 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 21% and 3% of audits performed, respectively. In all, 121 corrective action plans were implemented at our suppliers where audits had identified areas in need of improvement. In addition, some Group companies were prompted to put an end to their existing relationships with suppliers whose social audit findings revealed major issues of non-compliance with our Code of Conduct. Among developments during the year, the increasing use of preliminary audits (43 performed in 2011) enabled better advance identification of supplier practices, thus leading to the decision to refrain from working with certain potential suppliers.

☑ Monitoring drawing from internal and external feedback, including affected stakeholders

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. (📖 See "LVMH Code of Conduct", page 19.)

LVMH reserve the right to check adherence to the Supplier's Code of Conduct's principles and **to conduct compliance audits at any time without notice**. Suppliers supply the necessary information and grant access to "XXX's" representatives who seek to verify compliance with the requirements of this code. They agree to improve and correct any deficiency discovered. (📖 See "Supplier's Code of Conduct", page 2)

☑ Leadership review of monitoring and improvement results

- *« 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. » (📖 See "LVMH Code of Conduct" page 19).

- The following participants fulfill specific roles with respect to internal control: Board of Directors, Executive Committee, Performance Audit Committee, Legal Department, Risk Management and Insurance Department, Audit and Internal Control Department, Management Committees at subsidiary level. (📖 See "Risk management and internal control stakeholders" in 2011 Reference Document, pages 105-106)

☑ **Process to deal with incidents**

The procedures available on the Finance Intranet detail the format, content and frequency of financial reports. The Finance Intranet is also used for the dissemination of Internal Control principles and best practices. Best practices and implementation tools are available online via this Intranet site, covering the **issues emphasized by the Group**: conflicts of interest, delegations of authority, business continuity plans, IT disaster recovery plans, policies and guidelines for information system security, exception reports, the segregation of duties and resulting conflicts relating to sensitive transactions, and the control of media expenses. (📖 See "2.3. General internal control principles" in 2011 Reference Document page 82).

Criterion 8: The COP describes key *outcomes* of human rights integration

☑ **Outcomes of due diligence process**

In 2011, **453 social and/or environmental audits** were carried out, nearly 80% of which by specialized external service providers, at 346 of our suppliers. Among these audits, 380 related exclusively to social criteria. More than one-third of these audits showed results in line with our standards and 38% 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 21% and 3% of audits performed, respectively. In all, 121 corrective action plans were implemented at our suppliers where audits had identified areas in need of improvement. In addition, some Group companies were prompted to put an end to their existing relationships with suppliers whose social audit findings revealed major issues of non-compliance with our Code of Conduct.

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☑ **External and formal reporting of operations or operating contexts that pose risks of severe human rights impacts**

☑ **Disclosure of main incidents involving the company**

No incidents to report.

☑ Outcomes of processes of remediation of adverse human rights impacts

« Among developments during the year, the increasing use of preliminary audits (43 performed in 2011) enabled better advance identification of supplier practices, thus leading to the decision to refrain from working with certain potential suppliers. In addition, some Group companies were prompted to put an end to their existing relationships with suppliers whose social audit findings revealed major issues of non-compliance with our Code of Conduct. » (📖 See "2011 Reference Document", page 80).

[📖 As a reminder, see also for instance "2010 Annual Report" page 61: « (...) the Perfumes and Cosmetics business group refused to continue to work with a site of one of its suppliers which did not meet the requirements of the code of conduct for employee safety and the payment of overtime; and the Donna Karan brand ended its collaboration with two of its suppliers. »]

Labour Principles Implementation

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

☑ Reference to relevant international conventions and other international instruments (e.g. ILO Core Conventions)

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

- This strong commitment is written in the 2011 Reference Document (📖 "1.9. Compliance with international conventions", page 81): « 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. »
- The LVMH Code of Conduct reminds "International agreements supported by LVMH" (📖 page 21) and particularly on "social stakes":
 - Universal Declaration of Human Rights.
 - United Nations Global Compact.
 - OECD Guidelines.
 - International Labour Organization conventions.
 - Millennium Development Objectives.

☑ Reflection on the relevance of the labour principles for the company

The relevance of the labour principles takes place in a global reflection about stakes and challenges for business group:

- It allows the LVMH Group to identify the main stakes that each Maison have to take into account (training & development, diversity & equal opportunity, employment dynamics, compensation policies, etc.) regarding the social issues in HR strategy and policy: Retention of know-how and shortage of skilled Human Capital ; Expectations from our employees ; Age pyramid and aging workforce ; Changing demographics and development in the emerging markets ; etc...
- The key positions in each organization are then analyzed so that succession plans can be drawn up. In-house talent is identified and individual development plans are laid out, particularly in terms of training and career planning. All of the Maisons comprising the Group carry out these reviews, which are summarized to identify common priorities and create a specific road map for the organizations and talent.

☑ Written company policy (e.g., in code of conduct) on labour

The system ensuring fair business practices is based on different measures and tools:

- The "**LVMH Code of Conduct**" and "**Supplier's Code of Conduct**" are distributed to all Group employees and serve 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.
 - The LVMH Code of Conduct, adopted in May 2009, covers all brands and all employees of the Group. This Code and its principles must be respected by each employee, each brand and each business group of LVMH. The LVMH Code of Conduct serves as a basis for the drawing-up of codes of conduct at brand and business group levels, adapted to their context and their sector. 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 LVMH Supplier's Code of conduct deployed in March 2008 has been implemented at all Brands and subsidiaries by the end of 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...).
- 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, since 2009, the "**LVMH Code of Conduct for Recruitment**" has been widely disseminated to all employees active in recruitment processes across the Group. It sets forth the ethical principles to be observed in recruitment at LVMH and guarantees that fair hiring practices are followed at all of the Group's operations worldwide. This Code of Conduct is embodied in fourteen commitments, which aim in particular to prevent any form of discrimination and to promote diversity. Across the Group, ethical principles to be applied in recruitment and the LVMH Code of Conduct for Recruitment are reinforced by the training program "Recruitment without Discrimination".

- 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 LVMH Code of Conduct, but also the Environmental Charter first adopted in 2001 and the Supplier's Code of Conduct introduced in 2008 to ensure compliance across the entire supply chain with strict guidelines.

☑ Inclusion of minimum labour standards in contracts with suppliers and other relevant business partners

2011 best practices: Relations with any partner necessitate the latter’s commitment to comply with all ethical principles enunciated in the Supplier's Code of Conduct. Many initiatives by Group companies illustrate this commitment:

• Questionnaire and preliminary audits:

- 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.
- Guerlain actively manages its supplier relationships on a number of levels. All calls for tender include a paragraph formally setting out what is expected of contractors in terms of their commitment to sustainable development. A questionnaire has also been sent to more than 80% of strategic suppliers to assess their environmental and social practices. Finally, a special audit was performed on one of the Maison’s strategic suppliers.
- 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.
- The Glenmorangie Company Limited employs a method to assess its suppliers by establishing an assessment form. A series of questions is put to suppliers to assess their performance in terms of human rights. If suppliers – particularly those who are not members of the European Union – do not meet assessment criteria, the company reserves the right to conduct an audit and/or refuse their services.
- Moët Hennessy Diageo France signs ethical engagements with its sub-contractors.

- **Supplier's commitment:**

- Moët & Chandon and Glenmorangie, for example, establish a specifications document presented for signature to their subcontractors that addresses notably fundamental labor law compliance, among other issues. Audits are also carried out on suppliers.
- LVMH Fragrance Brands has laid out its code of ethics within the framework of the Perfumes and Cosmetics sector, and communicated this with a letter from the CEO to its suppliers. Suppliers then sign an agreement before orders are approved.
- Sephora has developed a supplier specifications documents including 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.

- **Standards and regulations:**

- TAG Heuer and Loewe require that all new 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.
- Loewe also requires its suppliers to have ISO9001/14011/OSHAS 18000 certification.

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

☑ Risk and impact assessments in the area of labour

- 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. Finally, as a complement to these processes, and in order to institute a single approach for all brands, the Group has pursued a project launched in 2010 that seeks to create a formal framework for major risk management and internal control called ERICA/“Enterprise Risk and Internal Control Assessment”. In 2010, a **common supplier database** has been put in place by the Perfumes and Cosmetics business group and a **common evaluation criteria implemented for suppliers**. These criteria facilitated exchange among the Group companies and follow-up for social and environmental audits, their results, and any action plans established.

📖 See "Business risk factors and insurance policy" in 2011 Reference Document pages 37-39.

📖 See "Implementation of risk management and internal control procedures" in 2011 Reference Document pages 100-107.

- Since 2008, LVMH permanently has **discrimination tests** performed, by an independent and highly regarded firm, on job offers published on its Web site. By means of this scrupulous self-assessment procedure using the services of an independent, external provider on an ongoing basis, the Group guarantees the excellence of its recruitment practices.

- Skills management is a significant aspect of internal control. LVMH pays special attention **to matching employees' profiles** with corresponding responsibilities, formalizing annual performance reviews at individual and organizational level, ensuring the development of skills through training programs custom-

designed for each level of seniority and encouraging internal mobility. Personnel reports are produced monthly by the Group's Human Resources Department, presenting changes in staff and related analyses as well as vacancies and internal movements. Special attention was paid in 2011 to strengthening our business continuity plans (BCP). Round table meetings were held to (i) present what was learned from the Japanese Crisis of March 2011, (ii) explain and promote the use of LVMH's BCP Tool kit made generally available in 2008, and (iii) exchange best practices. The **annual review of the organizations and talent** within LVMH is also a key component of the Group's human resources policy. Every year for the past five years, after each brand has established its upcoming strategy, all of the Group's brands define the human and organizational implications of their business targets.

☑ Allocation of responsibilities and accountability within the organisation

- International charters and agreements signed by LVMH provide the framework for the initiatives led by the Group and its Maisons under the responsibility of the **Board of Directors** and the **Executive Committee**.
 - The Board of Directors of LVMH, to which the Executive Management of the Group submits each year a report on the implementation of the LVMH 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.
- The functional departments of the Group, like RH Department and particularly **Social Development Department**, will support the Brands (in the implementation of commitments and regulations about CSR stakes linked to labour conditions) with a view to a consistent and uniform application of commitments and principles.
 - The LVMH Holding relies on a **network composed of 40 Correspondents** belonging to business groups and Maisons and a "**Handicap Mission**".
 - Group companies, particularly in France, have works councils, employee representatives, as well as **health and safety committees**.
- **Working groups:**
 - **Annual Supply Chain Meeting** comprising experts from various Group Houses presented, as they have in 2011, 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.
 - Integrity, constant vigilance to maintain a healthy environment, and respect at all levels are the pillars of social responsibility at LVMH. This key message was reinforced at the **Group's second international conference on social responsibility held in 2011**. Bringing together more than 200 executives and managers, this event highlighted the considerable progress made since the first edition of this conference in 2007. In the intervening period, initiatives have been undertaken in a number of areas, including efforts to promote non-discrimination, equal opportunities for men and

women, well-being at work, access to employment for the disadvantaged, the employment of disabled persons, children's education, and the fight against social exclusion.

- For the 100th anniversary of International Women's Day, LVMH organized an event in London from March 7 to 8, 2011 which brought together some **forty women managers** from the Group. This gathering focused on women leaders and defined new plans to promote women's access to key positions.

- At last, **verification of compliance** with Code of Conduct is incorporated into the internal control mechanism existing within LVMH and follows the procedures in force in the Group (📖 See "2.3.3. The general control environment" pages 102-103 of the 2011 Reference document).

☑ **Internal awareness-raising and training on the labour principles for management and employees**

2011 Best practices in the field of internal awareness-raising, training and communication: LVMH is very careful that its employees work in the best conditions. Employees and managers 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. LVMH is committed to implementing the appropriate means to prevent occupational hazards, ensure health and safety and improve working conditions for all its employees, based on the hazards present at the company. The LVMH Group companies have set up measures to prevent the various forms of wear at work and reduce hazards, in particular by informing and training employees.

- **Plan for the prevention of psychosocial risks:** The Group makes every effort to prevent and deal with phenomena such as harassment and stress in the workplace. Accordingly, the Group continued to implement the plan for the prevention of psychosocial risks in 2011, covering the following points: diagnostics/barometers (Hennessy), steering committees, awareness raising and training for affected staff, support units (Parfums Christian Dior, Veuve Clicquot, Loewe, Guerlain, Sephora Inc. etc.), work organization reviews, balance between private and professional life, organization overhauls, harassment prevention.

- Moët & Chandon set up a plan for the prevention of psychosocial hazards. The plan intends to improve communication, training and managing employees, and to set up a system of crisis counselling in emergencies or situations of imminent risk.
- Louis Vuitton has also committed itself to the prevention of psychosocial hazards. In 2011, the firm set up training courses in stress prevention for all leather goods' workshop managerial teams.

- **Prevention of arduous working conditions and health & safety at work:**

- More than 17,900 Group company employees received safety training worldwide.
- The other significant measure, that the companies have drawn up to promote health and safety, is employee training in this field. Different companies (The Glenmorangie, Hennessy, MHAP, MHDF, Louis Vuitton, Fendi, Loewe and Tag Heuer) offer health and safety training to their employees. Hennessy regularly offers movement and posture training for all its employees and organises specific training on working at heights and in difficult situations.
- Céline has provided Head Office and boutique staff with ergonomics training in order to prevent arduous working conditions, and is devising action plans so that this commitment becomes long term.

- **Quality of life at work:**

- Céline employs the “Wellbeing at Work” training programme launched 3 years ago. All employees in France have now been trained. Guerlain launched “Wellbeing and Quality of Life at Work” week (packages, concierge service, presentation of ergonomic equipment). The company offers yoga classes at one of its production sites along with systematic warm-up exercises with a sports coach for employees before they begin work.

- **Promoting non-discrimination:** Across the Group, ethical principles to be applied in recruitment and the LVMH Code of Conduct for Recruitment are reinforced by the training program “Recruitment without Discrimination”. This training initiative, introduced in 2011 for human resources managers at various Group companies, invites participants to dissect the recruitment process and assess the impact of stereotypes and prejudices with the goal of reducing the risk of discrimination at each stage in the process. To date, more than a hundred human resources managers have completed this training.

- The Group’s companies have their own training programs to prevent discrimination and promote diversity.
 - Moët Hennessy France, Loewe and LVMH Fragrance Brands have made this type of training part of their Managers’ Training Programs in 2012.
 - At Sephora USA, managers are required to attend two hours of training on harassment and diversity every year.
 - To prevent any form of discrimination, DFS has set up an online e-learning course on employment laws that all employees are invited to take.
- A strong commitment of the Group: Employment of disabled persons:
 - As the first step in our policy to help the disabled, Moët & Chandon and LVMH Fragrance Brands have set up training and awareness-raising programmes.
 - During the “Jobs for the Disabled” week, Hennessy gave all its employees an information booklet on disability entitled “Let’s Bring Together our Differences”.
 - Parfums Christian Dior organised 2 “Live My Disability” days.
 - Louis Vuitton France has made a sign language course available that any employee can join, including those who are disabled. Louis Vuitton has also set out to ensure digital accessibility to make its Intranet site accessible.
 - LVMH has created a subsidiary of Moët & Chandon, MHEA, with 100% of its staff composed of disabled persons from internal mobility or external recruitment.
- Actions in favor of older employees:
 - At Louis Vuitton, 100% of seniors in stores take at least one course a year and participate in devising training modules for leather goods manufacturing skills.
 - Guerlain provides training for seniors and makes sure that rare skills are passed on, particularly the know-how of the “Dames de table” who are responsible for filling perfume bottles by hand as well gilding, ‘bearding’, ‘brushing’ and sealing them with wax. A new team of “Dames de table” has been recruited in Orphin and their more experienced colleagues are training the new recruits.
- Promoting gender equality and structuring work-home life:
 - Loewe has set up training to prevent gender inequality in the workplace.

• **Information and communication:** Companies ensure employee information and communication by means of various dialogue tools.

- For example, in order to improve discussion and communication with employees, Parfums Christian Dior has set up nine communication screens at the Saint Jean de Braye site.
- Firms often request opinion polls. Different companies have set up this effective tool to measure employee satisfaction and involvement levels: The Glenmorangie, Moët Hennessy Diageo France, Louis Vuitton, Céline, De Beers, Sephora USA and DFS.
- As an example, Louis Vuitton launched the “Listening to You” survey in 2011, polling more than 15,000 employees in over 50 countries. 100 questions were grouped together into 16 categories: the quality of managerial action, external image, remuneration, training and development, performance assessment, supervision, accountability, commitment, effectiveness, quality, how change is managed, working conditions, work-life balance, information and customer orientation. In 2011, 15 questions were devoted to CSR (equal opportunities with regard to age, gender and disability, working conditions, etc.). On a global level, an 88% participation was recorded. The results were communicated to all employees by means of a top-down process that involved managers and members of the Executive Committee. Following the survey, the Executive Committee defined 3 priorities for the company: reducing the activity’s impact on the environment and providing greater transparency with regard to both remuneration mechanisms and career opportunities. Taskforces were formed and, in parallel, depending on local priorities, associated action plans were set up. Furthermore, Louis Vuitton arranged “Getting to Know Each Other” lunches with leather goods makers and support services – these provide an excellent opportunity for Executive Committee members and employees to talk.
- Another communications example directly involving top managers can be seen at DFS where managers share financial results with DFS teams – 7000 employees are concerned – as well as the current issues at stake for the company. Executive breakfasts and managers’ forums are organized throughout the year. In this way, managers and all departments are aware of the company’s strategic decisions.

☑ Grievance mechanisms, communication channels and other procedures (e.g. whistleblower mechanisms) for reporting concerns or seeking advice

• Any employee who notices a non-conformity to one of the principles stipulated within the LVMH Code of Conduct **should inform his or her hierarchy**. « *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.* » (📖 See "LVMH Code of Conduct" page 19).

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

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

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

Verification of compliance with Code of Conduct is incorporated into the internal control mechanism existing within LVMH and follows the procedures in force in the Group (📖 See “2.3.3. The general control environment” pages 102-103 of the 2011 Reference document).

☑ Audits or other steps to monitor and improve the labour performance of companies in the supply chain

📖 See "2011 Reference Document": pages 79-80 ("1.8.1. Relations with suppliers").

📖 See "Sustainable Development" chapter in "2011 Annual Report": pages 11-12 ("Responsible partnerships").

- In 2011, **453 social and/or environmental audits** were carried out, nearly 80% of which by specialized external service providers, at 346 of our suppliers. Among these audits, 380 related exclusively to social criteria.

- More than one-third of these audits showed results in line with our standards and 38% 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 21% and 3% of audits performed, respectively. In all, 121 corrective action plans were implemented at our suppliers where audits had identified areas in need of improvement. In addition, some Group companies were prompted to put an end to their existing relationships with suppliers whose social audit findings revealed major issues of non-compliance with our Code of Conduct.

- Among developments during the year, the increasing use of preliminary audits (43 performed in 2011) enabled better advance identification of supplier practices, thus leading to the decision to refrain from working with certain potential suppliers.

- **2011 best practices:** Relations with any partner necessitate the latter's commitment to comply with all ethical principles enunciated in the Supplier's Code of Conduct. Several companies such as Louis Vuitton, Kenzo, Loewe and LVMH Fragrance Brands audit their suppliers with regard to child labour, working hours, employee health and safety, etc. Many initiatives by Group companies illustrate this commitment:

- Questionnaire and preliminary audits:
 - Louis Vuitton has implemented an ethical system of preliminary audits founded on compliance with local regulations as well as the SA 8000 social accountability standard. A questionnaire on "environmental practices" is also included in the internal control standard.
 - Donna Karan has developed a Vendor Profile Questionnaire, a document signed by the subcontractor when the pre-approval request is submitted.
 - The Glenmorangie Company Limited employs a method to assess its suppliers by establishing an assessment form. A series of questions is put to suppliers to assess their performance in terms of human rights. If suppliers – particularly those who are not members of the European Union – do not meet assessment criteria, the company reserves the right to conduct an audit and/or refuse their services.
 - Moët Hennessy Diageo France signs ethical engagements with its sub-contractors.
- Supplier's commitment:
 - Moët & Chandon and Glenmorangie present a specifications document for signature to subcontractors.
 - LVMH Fragrance Brands has laid out its code of ethics within the framework of the Perfumes and Cosmetics sector, and communicated this with a letter from the CEO to its suppliers. Suppliers then sign an agreement before orders are approved.
 - Sephora has developed a supplier specifications documents including 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.
- Standards and regulations:
 - TAG Heuer and Loewe require that all new suppliers submit a written pledge indicating their compliance with the SA 8000 standard.
 - Loewe also requires its suppliers to have ISO9001/14011/OSHAS 18000 certification.
- Guerlain actively manages its supplier relationships on a number of levels. All calls for tender include a paragraph formally setting out what is expected of contractors in terms of their commitment to sustainable development. A questionnaire has also been sent to more than 80% of strategic suppliers to assess their environmental and social practices. Finally, a special audit was performed on one of the Maison's strategic suppliers.
- LVMH also requires that its suppliers adhere to the same guidelines imposed by regulatory requirements (for example in the field of consumer safety).

☑ Process to deal with incidents

The procedures available on the Finance Intranet detail the format, content and frequency of financial reports. The Finance Intranet is also used for the dissemination of Internal Control principles and best practices. Best practices and implementation tools are available online via this Intranet site, covering the issues emphasized by the Group: conflicts of interest, delegations of authority, business continuity plans, IT disaster recovery plans, policies and guidelines for information system security, exception reports, the segregation of duties and resulting conflicts relating to sensitive transactions, and the control of media expenses. (📖 See "2.3. General internal control principles" in 2011 Reference Document page 82.)

Criterion 12: The COP describes key *outcomes* of integration of the labour principles

- Labor KPIs are available in the 2011 Document de reference (📖 See "Human Resources" section, from page 68 to 81).
- 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 2011: 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 days of training per employee, number of deadly accidents, work-related accidents with sick leave, frequency and severity rates. For fiscal year 2011, Deloitte & Associés issued a report on those indicators (📖 See 2011 Reference Document, page 82).

☑ Outcome of due diligence and follow-up efforts to eliminate discrimination

📖 See "1.4. Social responsibility" in 2011 Reference Document from page 74 to 76.

📖 See "Key HR Indicators 2011"

☑ Disclosure of main incidents involving the company

No incidents to report.

Environmental Stewardship Implementation

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

☑ Reference to relevant international conventions and other international instruments (e.g. Rio Declaration on Environment and Development)

Blueprint For Corporate Sustainability Leadership

Issue-Based and Sector Initiatives

☑ **Join and help advance one or more existing UN Global Compact initiatives, e.g. Caring for Climate, CEO Water Mandate, Women's Empowerment Principles, and Global Business Initiative on Human Rights.**

CEO Commitment and Leadership

☑ **CEO publicly delivers explicit statements and demonstrates personal leadership on sustainability and commitment to the UN Global Compact.**

- **Bernard Arnault, Chairman and Executive Officer**, has been involved in several explicit statements (especially at the AGM). He also signed the **Copenhagen Communique on Climate Change** launched in June 2009 at the initiative of the Prince of Wales and Cambridge University. This document called for an

ambitious, vigorous and equitable global agreement that would provide a credible response to the magnitude and urgency of the crises facing the world.

- International charters and agreements signed by LVMH provide the framework for the initiatives led by the Group and its Maisons:
 - **United Nations Global Compact** (2003).
 - **Gordon Brown’s “Millennium Development Goals”** (2007).
 - **Caring for Climate** (*voluntary and complementary action platform for UN Global Compact*).
- The Watches & Jewelry business group of LVMH is a member of the **RJC (Responsible Jewellery Council)**, an organization of more than 160 professionals around the world committed to the promotion of ethics, human and social rights and environmental practices throughout the product chain, from the mines to the points of sale. The RJC has developed a certification system for members involved in gold and diamond work which requires audits by accredited independent auditors. The certification scope within the Watches & Jewelry Maisons includes Bulgari, TAG Heuer, Hublot, Zenith, Chaumet and Fred. Bulgari, TAG Heuer, Chaumet and Fred are RJC-certified. Zenith was certified in January 2012 and Hublot and Louis Vuitton’s jewelry business in the first half of 2012.
- In the specific field of biodiversity:
 - For the use of exotic skins, all LVMH brands follow the **CITES Convention**, the Convention on International Trade in Endangered Species of Wild Fauna and Flora which has been agreed on 3 March 1973, and entered in force on 1 July 1975.
 - 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 Biological Diversity (CBD)** opened for signature at the Earth Summit in Rio de Janeiro on 5 June 1992 and entered into force on 29 December 1993.
 - The LVMH group subscribes to **France’s “2011-2020 National Biodiversity Plan”** which was unveiled by the French government on the eve of World Biodiversity Day on May 22, 2011. The plan contains France’s share of the international commitments endorsed in Nagoya in 2010 to curb biodiversity loss. [In 2012, LVMH has been labeled under the National Biodiversity Strategy driven by the French Administration.](#)
- Many Houses are involved each year in the “**European Sustainable Development Week**” (in 2011: April 1 to 7), the “**European Week for Waste Reduction**” (in 2011: from November 19 to 27), the “**European Mobility Week**” (in 2011: from September 16 to 22).

☑ Reflection on the relevance of environmental stewardship for the company

Blueprint For Corporate Sustainability Leadership

Global and Local Working Groups

- ☑ **Participate in relevant global or local working groups and share experiences, networks, tools and good practices with other UN Global Compact participants.**
- ☑ **Take active part in defining scope and objectives of new working groups when relevant.**

Value Chain Implementation

- ☑ **Analyze each segment of the value chain carefully, both upstream and downstream, when mapping risks, opportunities and impacts.**

- Like any human activity, the businesses of the LVMH group have an impact on the environment that varies in type and magnitude depending on the sector. The challenges faced by each business have been clearly identified. (📖 For the **main challenges of each business group**, see page 14 of the “2011 Environment report”).
- Set up in 1992, the **Environmental Department** defines the Group’s strategy and as such reports both to Pierre Godé, Vice Chairman of the Board of Directors, and Antonio Belloni, Group Managing Director of the Executive Committee. The strategy is based on a clear analysis of the issues involved. It is implemented through-out the Group by means of various commitments and focuses on processes, programs, initiatives and internal environment audits that support the actions of each Maison. 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 Group is a member of the non-profit organization **Orée** (which covers businesses, regions and the environment) and co-chairs the strategic committee of the **Foundation for Research in Biodiversity (FRB)**. LVMH continues its involvement with **Business for Social Responsibility (BSR)**, in particular a working group set up to establish best practices in the sourcing of exotic leathers. LVMH participates to the **French platform on "Business and Biodiversity"** (led by Orée and **put in place by the Convention on Biological Biodiversity**) at the Hyderabad Conference of the Parties to the UN Convention on Biological Diversity (CBD) on 2012 October.

☑ **Written company policy on environmental stewardship**

- The “**Environmental Charter**” signed by Bernard Arnault in 2001 defines the LVMH group’s goals and dynamics and embodies the vision of the LVMH Group on integrating environmental protection into its businesses. Charter commitments adopted in 2001: Aim for a high level of environmental performance ; Foster a collective commitment ; Control environmental risks ; Design products by integrating environmental innovation and creativity ; Make commitments outside the company.

The five commitments of the environmental charter:

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.

- All the companies of the Group must develop and implement its **environmental management system, particularly by writing their own environmental policy** according to their activity, their impacts on the environment and defining their own objectives. LVMH requests that each subsidiary, regardless of its geographic location, applies the Group's environmental policy as set forth in the Charter, which stipulates that each subsidiary defines its own environmental objectives. Each Chief executive is expected to implement a policy according to the Environmental Charter commitments.
- 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 the common foundation and source of inspiration in this area for all of our brands or business lines.

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

Value Chain Implementation

☑ Communicate policies and expectations to suppliers and other relevant business partners.

- According to the "**Charter of the Board of Directors**" (📖 see "2011 Reference Document" page 219), one of the mission of the Board of Directors is to disseminate the collective values that guide the Company and its employees and that govern relationships with consumers and with partners and suppliers of the Company and the Group, in order to:
 - promote and maintain stable relations with ethical and responsible partners (suppliers, distributors, sub-contractors, etc.) ;
 - share best methods for negotiating purchasing terms with suppliers ;
 - combat counterfeit and parallel retail networks ;
 - insure strategic procurement and develop preferred partnership with suppliers able to meet LVMH's requirements ;
 - implement independent audits of suppliers aiming to insure that commitments have been observed.
- Different others internal commitments and initiatives allow LVMH to maintain and promote responsible cooperation among its partners, suppliers, distributors, sub-contractors:
 - For example, in the field of consumer safety, the LVMH group is in **compliance with the REACH Regulations and new legislation concerning consumer safety**. All strict internal guidelines imposed by the Group as criteria for their development requires that its suppliers adhere to these same guidelines. With respect to this regulation, all LVMH entities have prepared and/or made the necessary changes to contractual and commercial documents and have sent questionnaires to their suppliers.

- **"Supplier's Code of Conduct"** adopted in March 2008 (applied by all the Brands of the Group, compliance with the Supplier's Code of conduct is a requested condition for collaboration). 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. The "LVMH Code of Conduct" indicates that « *LVMH is committed to maintaining equitable and loyal relationships with its partners (suppliers, distributors, subcontractors, etc.). LVMH will inform all of its commercial partners of its ethical principles and expectations. LVMH asks its suppliers to comply with the principles set out in the Suppliers' Code of Conduct. This code specifies the demands in the areas of (...) environmental and operational issues (legality, custom tariffs, safety, subcontracting and corruption).* »

☑ Specific commitments and goals for specified years

Blueprint For Corporate Sustainability Leadership Promotion and Support of the UN Global Compact

- ☑ **Advocate the UN Global Compact to business partners, peers and the general public.**
- ☑ **Encourage suppliers and other business partners to join the UN Global Compact, and take on mentoring role on issues related to the initiative.**
- ☑ **Participate in activities to further develop and strengthen the UN Global Compact.**

Blueprint For Corporate Sustainability Leadership Local Networks and Subsidiary Engagement

- ☑ **Contribute to the building and operating of at least one UN Global Compact Local Network and help elevate performance of other companies through training, mentoring, COP peer review, etc.**

- Every year, a public report regarding the environment policies, data, practices and objectives is published. The data are verified by external auditors. (📖 See objectives from page 40 to 43 of the "2011 Environment Report".)
- In order to support Global Compact, LVMH contributes to local efforts through **the Ile-de-France Sustainable Development Club**. Formed in 2007, this club works to disseminate best practices to small and medium sized businesses and has established a system of cross audits between companies with similar concerns and resources. In 2012, LVMH continued sharing best practices with small and medium-sized companies in the Paris region in conjunction with the Île-de-France Sustainable Development Club.
- The LVMH Environmental Department participated to "Global Compact Day" organized during the **Rio+20 Earth Summit** in June 2012.

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

☑ Environmental risk and impact assessments

📖 A detailed presentation of the Group's environmental risk factors and of the measures taken to ensure compliance by its business activities with legal and regulatory provisions is provided in the section entitled "*LVMH and the environment*" in the "2011 Reference Document" (from page 84 to 91).

• **Organization:**

The Environmental protection strategy within the Group is based upon a clear and strong organization, evaluation and certification programs, measures to ensure compliance with applicable laws and regulations, and a consumer policy safety. LVMH is particularly proactive in managing environmental risks: systematic identification of risks, prevention, protection of people and property, and a crisis management procedure are the four components of its risk management policy.


The implementation of risk management and internal control procedures fully applies to the respect of ethical and good governance principles and the Group's commitment to responsible corporate citizenship in the relations with suppliers. (📖 See "2011 Reference Document" from page 100 to 107.)

The internal control and risk management mechanism, which has been formally in place since 2003 to comply with the LSF (French Financial Security Act), has adopted a similar structure ; it is both:

- **unified around a shared methodology and a single reference guide**, both of which are coordinated centrally by the LVMH SA holding company and rolled out to all Group companies:
 - 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.
 - Lastly, in line with European directives and the Order of December 2008, after an initial pilot process in 2009, and in order to institute a single approach for all brands, in 2010 the Group initiated a process of improving and integrating risk management and internal control systems that seeks to create a formal framework for major risk management and internal control called ERICA ("Enterprise Risk and Internal Control Assessment") which explicitly covers all strategic, operational and regulatory risks.
- **decentralized at business group and brand level**: The guidance and management of the mechanism is the responsibility of the Executive Management of the operational and legal entities: Risk mitigation (in frequency and severity) is achieved through preventive actions (industrial risks), internal control (risks associated with processes), or through the implementation of business continuity plans or operational action plans. Depending on the types of risk to which a particular brand or entity is exposed, the latter may decide, in collaboration with the Group, to transfer residual risk to the insurance market or instead to assume this risk.

• **Audits and controls concerning industrial and environmental risks**: In the context of its production and storage activities, the Group is exposed to the occurrence of losses such as fires, water damage or

natural catastrophes. To identify, analyze and provide protection against industrial and environmental risks, the Group relies on a combination of independent experts and qualified professionals from various Group companies, and in particular safety, quality and environmental managers. They pay particular attention to the risks associated with the storage and shipment of raw materials. The definition and implementation of the risk management policy are handled by the Finance Department.

- At the end of 2011, 46 % of manufacturing, logistics or administrative sites were ISO 14001 certified and 27% of the 208 manufacturing, logistics and administrative sites were audited. In all, 49 external and 95 internal audits had been performed, with some sites audited several times during the year.
- Since 2003, a review of environmental regulatory compliance is also performed by the insurance companies, which now includes an environmental inspection during their fire safety visits to Group company sites. The protection of the Group's assets is part of a policy on industrial risk prevention meeting the highest safety standards (NFPA fire safety standards). Working with its insurers, LVMH has adopted HPR (Highly Protected Risk) standards, the objective of which is to significantly reduce fire risk and associated operating losses. This approach is combined with an industrial and environmental risk monitoring program. A total of 30 sites were evaluated in 2011 (the same number as in 2010). In 2011, engineering consultants devoted about a hundred audit days to the industrial and environmental risk monitoring program. Some Houses are bringing their sites into regulatory compliance, particularly those classified for environmental protection. For example, Guerlain, Loewe, Louis Vuitton and MHCS have developed tools that monitor and analyze potential non-compliance with regulations in areas such as water treatment and discharge, waste storage, application of the WEEE European Directive (waste electrical and electronic equipment), storage of chemical products, fire protection, and so on.
- In the area of food safety management, the entire Champagne-Cognac-Vodka group is ISO 22000 certified.
- About Building standards and Responsible jewelry and certification RJC,  see "Evaluation and certification programs" in "2011 Environment Report" (from page 19 to 21).
- **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. In addition to industrial safety, the Group's companies also work to ensure greater product safety and traceability to reinforce the Group's anticipation and responsiveness in the event of a product recall. A legal intelligence team has also been set up in order to better manage the heightened risk of liability litigation, notably that to which the Group's brands are particularly exposed.
 - The LVMH Group has already been working for several months on establishing procedures so that it is ready when the new european regulation n° 1223/2009 on cosmetic products adopted on November 30, 2009 takes effect on July 2013. Finally, the LVMH Group is in compliance with the Globally Harmonized System Regulation, intended to harmonize the classification and labeling of chemicals.
- **Prevention of suppliers-related risks.** The Supplier Code of Conduct also sets forth the principle and procedures for the control and audit of compliance with these guidelines.
 - In 2011, 453 social and/or environmental audits were carried out, nearly 80% of which by specialized external service providers, at 346 of our suppliers. Among these audits, 380 related exclusively to social criteria.

- More than one-third of these audits showed results in line with our standards and 38% 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 21% and 3% of audits performed, respectively. In all, 121 corrective action plans were implemented at our suppliers where audits had identified areas in need of improvement. In addition, some Group companies were prompted to put an end to their existing relationships with suppliers whose social audit findings revealed major issues of non-compliance with our Code of Conduct.
- Among developments during the year, the increasing use of preliminary audits (43 performed in 2011) enabled better advance identification of supplier practices, thus leading to the decision to refrain from working with certain potential suppliers.
- As an example, Hennessy educates its suppliers and outside contractors about environmental matters, assists them with their environmental initiatives and assesses their progress, particularly suppliers of dry solids, who are assessed annually. In October 2011, Hennessy organized the first Hennessy Technical Forum at its winery for its wine-growing partners. Almost 500 partners attended the forum, which featured talks, workshops and individual networking sessions. For the Perfumes & Cosmetics business group, the entire jasmine sector is audited.
- **Expenses and provisions:**
 - Environmental protection expenses in 2011 break down as follows: operating expenses (7.7 million euros in 2011 / 6.9 in 2010) and capital expenditure (7.9 million euros / 6 in 2010).
 - The amount of provisions for environmental risks is 12.9 million euros as of December 31, 2011.

☑ Assessments of lifecycle impact of products, ensuring environmentally sound end-of-life management policies

- **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 (EMS, REACH regulation, etc...). 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.
 - Designed as an operational tool, the Eco-Material Handbook entitled “Materials to Consider” is distributed internally and identifies about forty materials that offer the kind of environmental performance required for the Group’s products, with an explanation of how each business can use them. The materials are categorized by application: wrapping, packaging, textiles and leathers, communications and store fit-out.
 - Minimizing materials: The Maisons have customized tools and training programs that allow them to incorporate environmental concerns into the design of their products to the greatest extent possible. Eco-design includes reducing packaging weight and volume, choosing specific components and raw materials, employing more energy-efficient production processes and introducing initiatives to comply with REACH regulations. The Perfumes & Cosmetics Maisons created an Environmental Performance Index (EPI) that applies to packaging and is based on the following criteria: separability of material, volume, weight, use of refills, and environmentally friendly material. Since 2011, the EPI has been extended to other Group Maisons such as Hennessy and the Champagne Maisons. For its part, Moët & Chandon has developed a new range of cases and supplied FSC-certified shipping

crates to suppliers. As a result of this new working method, Ruinart has developed a new eco-designed presentation box.

- Environmental labeling: LVMH and the Group's Maisons actively follow the work being done in France, the rest of Europe and around the world on environmental labeling, particularly in the Perfumes & Cosmetics, Fashion & Leather Goods and Wines & Spirits sectors. Sephora and Louis Vuitton, for example, are currently participating in trials in France. Environmental indicators that comply with the official standard are available on Sephora's website for bath and shower gels and creams. For its part, Louis Vuitton is monitoring the work being conducted on fashion products and participated in quality testing carried out in 2011 to create a "Shirt" standard.

📖 See "best practices eco-design" in "2011 Environment Report" (page 27).

- **Assessment of impact of products** needs also to take into account the relations and procurement with suppliers. 📖 See "best practices suppliers" in "2011 Environment Report" (pages 15-16 and 29).

☑ Allocation of responsibilities and accountability within the organisation

Blueprint For Corporate Sustainability Leadership

Board Adoption and Oversight

- ☑ **Board of Directors (or equivalent) assumes responsibility and oversight for long term corporate sustainability strategy and performance.**
- ☑ **Board establishes, where permissible, a committee or assigns an individual Board member with responsibility for corporate sustainability.**
- ☑ **Board (or committee), where permissible, approves formal reporting on corporate sustainability (Communication on Progress).**

Full Coverage and Integration Across Principles

- ☑ **Design corporate sustainability strategy to leverage synergies between and among issue areas and to deal adequately with trade-offs.**
- ☑ **Ensure that different corporate functions coordinate closely to maximize performance and avoid unintended negative impacts.**

Mainstreaming into Corporate Functions and Business Units

- ☑ **Assign responsibility for corporate sustainability implementation to an individual or group within each business unit and subsidiary**

- According to the "Charter of the Board of Directors" (📖 see "2011 Reference Document" page 219), the mission of the Board of Directors is especially to:
 - disseminate the collective values that guide the Company and its employees and that govern relationships with consumers and with partners and suppliers of the Company and the Group ;
 - promote a policy of economic development consistent with a social and citizenship policy based on concepts that include respect for human beings and the preservation of the environment in which it operates ;
 - to approve formal reporting on corporate sustainability and especially "Environment Report".
- The "LVMH Code of Conduct" distributed to all Group employees specifies LVMH Contacts (always available in 2012): Sylvie Bénard, Environmental Affairs Department ; Chris Hollis, Financial

Communications Department ; Christian Sanchez, Social Development Department. (📖 See LVMH Code of Conduct page 21)

- An "organization diagram" is published indicating the distribution of responsibilities in the animation of the environmental strategy (📖 See "2011 Environment Report" page 17). The Group's Environmental Department supports the Maisons in their respective initiatives, ensuring that the Environmental Charter is observed, and running the **Environment Committee**, which brings together a **network of some 50 environmental correspondents** from the Maisons several times a year. The Environmental Department also runs a variety of specialist in-Maison working groups which deal, for example, with the European REACH regulation, eco-design and energy consumption in stores. Although the Maisons are represented within the Group's Environment Committee agent network, they also have their own steering committees. Each Maison has additional means, depending on local conditions and the size of its in-Maison projects.
- See previously "Organization" in "Environmental risk and impact assessments".

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

- **The Group's Maisons raise staff awareness of environmental issues and provide training in this area.** In 2011 more than 15,602 training hours were devoted to this purpose. The new initiatives being implemented are extremely diverse and range from the creation of specific training modules at Hennessy, to site visits, study trips to La Samaritaine department store in Paris, evaluation questionnaires and performance scoring in the Champagne Maisons. During Europe's "Green Week", informational flyers were given to all Group employees to promote each Maison's energy initiatives with regard to lighting, shipping, renewable energy and heating/air-conditioning. This event was also an opportunity to seek suggestions from staff and assess their feasibility.
- **Some examples:**
 - The Group and each Maison organize a variety of awareness campaigns about transport targeted at employees during European Mobility Week. Since 2010, Hennessy has run eco-driving training programs for its drivers. This training is also part of France's right to individual training, available to all employees.
 - For instance, when new employees join Moët Hennessy, their welcome program includes a presentation by the Human Resources Department of the Maison's responsible consumption policy. New employees are introduced to the principal awareness-raising tools – a Charter, a Marketing Code and educational literature – aimed at employees and visitors alike.
 - In the Asia-Pacific region, a steering committee was set up to focus on four key areas: recycling of office waste, internal communications, energy consumption reduction and eco-gestures in the office. A "CSR Ambassador" is currently being appointed to cover China and Japan, and various working groups have been set up to focus on training, communications, press, and so on.
 - In the context of ISO 14001 certification for Guerlain's production sites, headquarters and six Paris stores, more than 800 employees received training during internal training sessions and all Guerlain employees were given an ISO 14001 passport. As a result, all Guerlain sites and operations will be certified as of 2012.
 - In 2011, Louis Vuitton continued its policy of implementing the REACH regulation, under the direction of its internal REACH Committee. Specifically, it produced a training module aimed at buyers and developers, performed regular screening of materials, sent annual letters and monitored suppliers. The LVMH group also holds specific training courses on REACH implementation.

- LVMH is raising the awareness of its employees and the general public of the challenges of biodiversity. Various Maisons introduced a number of initiatives in 2011 as part of the United Nations Organization (UNO) International Year of the Forest. Hennessy, for instance, organized a conference on April 6, 2011 on sustainable forest management and certified woods, followed by a demonstration of cooperage skills. Forests have exceptionally rich ecosystems and are the planet's lungs. They are home to 80% of land-based biodiversity and a source of life and employment for 1.8 billion people.
- Louis Vuitton has deployed a vast array of initiatives to raise awareness about waste and provide training in waste sorting and recycling. For example, it has produced a sorting guide, organized a sorting contest and created a fun informational panel. To raise awareness and assist employees, Guerlain established a waste-sorting procedure and produced a "Sorting Guide," explaining how to sort the various types of waste.
- The "European Sustainable Development Week" (April 1 to 7, 2011) is an annual event that raises awareness in France of sustainable development issues and encourages people to act more responsibly. The 2011 edition was an opportunity for many of the Group's Maisons to showcase their commitment and actions. [📖 See page 18 of "2011 Environment Report".
- The project to build the Louis Vuitton Foundation for Creation Museum was launched in 2011: a newsletter ("Journal HQE®") has been circulated to workers and staff to raise awareness about environmental quality, and information has been posted covering various aspects of the HQE® approach.

[📖 See best practices "training and internal skills exchange" in "2011 Environment Report" (pages 18 and 19).

☑ Grievance mechanisms, communication channels and other procedures (e.g. whistleblower mechanisms) for reporting concerns or seeking advice regarding environmental impacts

- **Whistleblowing** is not allowed in France but several LVMH companies based abroad implemented specific procedures such as whistleblowing policy. There is a public mail address that anyone can use to report about environmental issue or ask any question. Any request may be made by writing to: environnement@lvmh.fr.

- In 2009, an **Intranet website ("LVMH Mind")** was launched to better communicate internally the Group's commitment to responsible corporate citizenship.

- The site is available to all Group employees and is both an information resource and a collaborative working tool for the environmental correspondents. It is also a means for employees to receive newsletters and subscribe to newsflashes.
- On this website, specifically devoted to social and environmental responsibility, employees can find the LVMH Code of Conduct, but also the Environmental Charter first adopted in 2001 and the Supplier Charter introduced in 2008, which ensure compliance across the entire supply chain with strict guidelines.

- **Dialogues and partnerships about environment** [📖 See "Annual Report 2011-Sustainable Development" pp. 19-20 and 1.3. in "2011 Reference Document" p. 89]:

The Group LVMH is involved in several dialogues and partnerships with different categories of stakeholders from civil society. LVMH is a holding company which has over 60 luxury brands covering 5 activities

(perfumes and cosmetics ; wines and spirits ; fashion and leather goods ; watches and jewellery ; selective retailing). Due to the diversified and decentralized nature of its activities, the Group has defined general principles as regards stakeholder engagement that are circulated to the management of its Brands and subsidiaries. Each LVMH brand, depending on its priorities, will determine its key stakeholders and implement it's own stakeholder engagement. Each company is in charge of the management of its brand, according to its own processes, according to the Group's mission and values. Thus, each brand has its own method of brand strategic management, aimed at enhancing its financial value and reputation.

Contributing to professional exchange, the Group and its Maisons are involved in a number of technical projects, according to their sector and specific local, national and international challenges.

- The Group's Maisons form **flagship partnerships** whose primary goal is to support the environmental messages carried by the brands.
 - Louis Vuitton, for example, has an ongoing involvement with *Climate Project*, the non-profit organization launched by Al Gore to educate the general public about the effects of climate change, and *Green Cross International*, the Foundation created by former Russian president Mikhail Gorbachev.
 - TAG Heuer, meanwhile, is continuing the partnership it formed in 2009 with Leonardo DiCaprio to raise funds to benefit the *Natural Resources Defense Council* and *Green Cross International*.
 - In the field of Biodiversity, Guerlain is partner in the Tianzi natural reserve in China under a 10-year sponsorship agreement comprising reforestation, orchid planting and a social program for local populations ; Louis Vuitton support the "Forests Are Lovers of the Sea" project whose the goal is to plant trees to help purify the seawater used for oyster farming in Japan. Chaumet, Guerlain and Louis Vuitton support different associations around the issue of bee protection..
- Aware of the advances that can be made through holding discussions and collaborating with others, particularly in environmental matters, LVMH makes a point of forming **key partnerships with national and international non-profit organizations, local authorities and educational institutions**.
 - For example, the Group is a member of the non-profit organization **Orée association** (Entreprises, territories and environment) which covers businesses, regions and the environment). LVMH is heavily involved in the "Biodiversity & Economy" working group which, after publishing a reference work and developing an Indicator of Business Interdependence with Biodiversity, is working on the construction of a Biodiversity Assessment of Organizations, primarily focused on establishing accounting for biodiversity flows and eco-system services for a business, but also for businesses working together. 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. LVMH is also active in other Orée working groups, including Eco-design, Environmental risks and Expertise.
 - The Group is Vice Chairman of the strategic committee of the **Foundation for Research in Biodiversity** (FRB).
 - Other Maisons are also active in this area, such as Bodegas Chandon, which is a **member of the Sustainable Development Commission of "Argentina Wineries"**, a trade association

whose main goal is to define and set the parameters for the wine industry's key sustainability indicators when it comes to water and energy consumption. Bodegas Chandon is also part of the "clean production" program, supported by the Mendoza Environment Secretary and the Inter-American Development Bank (IADB). The program's aim is to foster synergies between the government and wine-production businesses in order to train and educate suppliers, provide information to the general public and increase the percentage of material that is recovered and recycled.

- In addition to its work with the **Responsible Jewellery Council**, the Group continues its involvement with **Business for Social Responsibility (BSR)** and the **United Nations Conference on Trade and Development (UNCTAD)**. In particular, it belongs to a working group set up to establish best practices in the sourcing of exotic leathers.
- In September 2011 Parfums Christian Dior and its site at Saint-Jean-de-Braye in France were awarded two peony awards for their environmentally friendly initiatives in energy, water, waste management, transport/mobility, introduction of standards, responsible purchasing, community relations and organizational management. This award is part of the **“Eco-Responsible Cosmetic Valley” charter**, introduced in October 2009 by the Cosmetic Valley competitiveness cluster, the first global center of perfume and cosmetic resources. Under the charter, awards are given in the form of up to four peonies, depending on the importance of the eco-responsible initiatives undertaken by the cluster’s 45 members.
- In the Wines and Spirits business group:
 - In the area of sustainable viticulture supported by all relevant Maisons, Hennessy’s wine-growing and wine-production subsidiary Sodepa, based in Cognac, has a 12-hectare vineyard that was selected in January 2011 to be part of the **network of farms identified by the French government under the 2018 Ecophyto plan** as being a benchmark in environmental standards.
 - Bodegas Chandon is a member of the **Sustainable Development Commission of “Argentina Wineries,”** a trade association whose main goal is to define and set the parameters for the wine industry’s key sustainability indicators when it comes to water and energy consumption. Bodegas Chandon is also part of the “clean production” program, supported by the **Mendoza Environment Secretary and the Inter-American Development Bank (IADB)**. The program’s aim is to foster synergies between the government and wine-production businesses in order to train and educate suppliers, provide information to the general public and increase the percentage of material that is recovered and recycled.
- Finally, LVMH makes frequent presentations to **major business schools** (ESSEC, HEC, etc.) and **universities** (Léonard de Vinci, Saint-Quentin-en-Yvelines and others) about the environmental challenges faced by its business groups and operations.

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

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

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Strategic Social Investments and Philanthropy

☑ † Implement a system to track and measure performance based on standardized performance metrics.

• **KPI "LIFE LVMH Indicators for Environnement"**: In 2011, LVMH collaborated with a number of pilot Maisons – at least one per business group – to devise a strategy for identifying key environmental topics to strengthen its management of the environmental challenges involved. Each topic was assigned a set of indicators so that the performance of each Maison could be monitored. This initiative is managed and monitored by the executive committee of each Maison and by the executive committee of LVMH. It will gradually be introduced in all Maisons. To comply with Group strategy, the Maisons may need to devise additional tools that take account of their own specific challenges and activities.

- Six Maisons have adopted their own indicators on the basis of five "top priorities for 2012".
- In addition, Loewe has adopted a "Vision 2020" road map that covers multiple areas related to risk prevention and mitigation, cost savings, innovation, value creation, image protection and image promotion. More than 150 people were involved in working groups and various reviews that led to the definition of a program to take account of all of the company's operations. It is based on seven key business aspects: employee commitment, product durability, sustainable leather, responsible selling, stakeholder dialogue, responsible and energy-efficient operations, and a responsible supply chain.

• **Products**: 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. Since 2011, the EPI has been extended to other Group Maisons such as Hennessy and the Champagne Maisons. For its part, Moët & Chandon has developed a new range of cases and supplied FSC-certified shipping crates to suppliers. As a result of this new working method, Ruinart has developed a new eco-designed presentation box.

• **Management of buildings**: As an example, ambitious targets have been set for the extension of the Moët & Chandon Montaigne site. They include implementing the "High Environmental Quality® Buildings" pilot program, adopting the THPE high energy performance label for the winery, and meeting the BBC standard for offices and administrative premises.

☑ Leadership review of monitoring and improvement results

- **Reporting**: 📖 See from page 24 to 33 of the 2011 Environment Report.
- **Objectives**: 📖 See pages 40 and 43 of the 2011 Environment Report.

☑ Process to deal with incidents

- **Risk Management and Compliance:** 📖 See pages 14 and 15 of the 2011 Environment Report.
- **Product Safety and Customer Health:** 📖 See page 28 of the 2011 Environment Report.
- **Achievements and objectives for control environmental risks:** 📖 See pages 41 and 43 of the 2011 Environment Report.
- **Environmental protection methods:** 📖 See page 39 and from page 89 to 91 of the 2011 Reference Document.

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

- **Relations with suppliers and audits:**
 - 📖 See pages 79 and 80 of the 2011 Reference Document.
 - See "Prevention of suppliers-related risks" in criterion 14.
- **Management of suppliers across the Carbon Footprint®:** Since 2002 the Group has assessed the Carbon Footprint® of many of its Maisons: Louis Vuitton, Moët & Chandon, Veuve Clicquot, Hennessy, Parfums Christian Dior, Guerlain, Parfums Kenzo, Parfums Givenchy, Givenchy Couture, Make Up For Ever, DFS, Sephora and Le Bon Marché. To date, all of the Group's major Maisons have completed their reports and are working to implement priority initiatives taken into account suppliers. For example, Veuve Clicquot's 2006 Carbon Footprint® showed that 17% of CO₂ emissions were related to transport, particularly champagne, 90% of which is exported. Most of the emissions were from packaging and dry solids purchased from suppliers.
 - **Transport:** 📖 See "Supply chain challenges" page 9 of the 2011 Environment Report.
 - **Upstream transport:** 📖 See "components from suppliers' sites to the Group's manufacturing sites" page 30 of the 2011 Environment Report.
- **Some examples:**
 - Louis Vuitton, Loewe, Guerlain and Hennessy: 📖 See "best practices suppliers" pages 15 and 16 of the 2011 Environment Report.
 - In conjunction with its raw material suppliers, Loewe is implementing a REACH program as a basis for its environmental strategy (📖 See page 29 of the 2011 Environment Report).
 - Belvedere organized a seminar for employees and suppliers, in conjunction with some scientific bodies (a university and the Institute of Soil and Plant Cultivation), to promote best practices in rye cultivation. The main purpose was to analyze the comparative impact of various grades of rye and to gain a better understanding of eco-cultivation.

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 (📖 See "Methodology for the LVMH Group's Environmental Reporting" from page 44 to 46 of the 2011 Environment Report). 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 2011, the work focused on a selection of 9 indicators relating to the challenges the LVMH Group believes are key: Percentage of sites subject to environmental audits (%); total water consumption for process needs (m3); total COD after treatment (metric tons/year); total waste produced (metric tons); total hazardous waste produced (metric tons); percentage of waste recovery (%); total energy consumption (MWh); total CO₂ emissions (metric tons CO₂ equivalent); total packaging placed in market (metric tons). During our work, we directly verified the indicators for a sample of entities representing on average 65 % of the total value of the indicators published by LVMH. Every year, the conclusions are presented in the reasonable assurance report. (📖 See "Report of one of the auditors on selected environmental indicators" page 47 of the 2011 Environment Report).

☑ Indicators on uses of materials and energy

📖 See pages from 84 to 86 of the 2011 Reference Document.

📖 See from page 23 to 28 of the 2011 Environment Report.

☑ Indicators on emissions, effluents, and waste

📖 See pages 87 and 88 of the 2011 Reference Document.

📖 See from page 29 to 33 of the 2011 Environment Report.

☑ Indicators on the company's initiatives to promote greater environmental responsibility

Blueprint For Corporate Sustainability Leadership

Strategic Social Investments and Philanthropy

☑ Pursue social investments and philanthropic contributions that tie in with the core competences or operating context of the company as an integrated part of its sustainability strategy.

☑ Coordinate efforts with other organizations and initiatives to amplify – and not negate or unnecessarily duplicate – the efforts of other contributors.

📖 See "achievements" and "objectives" from page 40 to 43 of the 2011 Environment Report.

📖 See "programs extended to civil society" from page 35 to 39 of the 2011 Environment Report.

☑ Indicators on the development and diffusion of environmentally friendly technologies

📖 See different initiatives and best practices in the "2011 Environment Report" concerning technologies. Among them:

- renewable energy (page 23)
- largest industrial green roof (page 21)
- innovative solutions in Green IT (page 23)
- innovative ways enabling to decrease the size of shipments by reducing not only empty space but also outer packaging (page 9)

☑ Disclosure of main incidents involving the company

- No incidents to report.
- The amount of €12.9 million indicated in the 2011 Reference Document (📖 See page 90) relates only to set standards ("Provisions for environmental risk at December 31, 2011") and not "compensation paid during the year pursuant to a court decision".

Anti-Corruption

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

☑ Publicly stated formal policy of zero-tolerance of corruption (D1)

- One of the six principles of the LVMH Code of Conduct ("Implementing and promoting a responsible approach") include the purpose to fight against corruption. The anti-corruption and bribery policy covers the following aspects: « *LVMH prohibits any form of corruption. Any payment must reflect a service and legitimate price as described in the contracts and agreements. LVMH only authorises 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 organisations in an attempt to promote a particular interest or obtain or maintain an advantage.* » (📖 See "Fighting against corruption" in LVMH Code of Conduct page 13)

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. This Code 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.

- « *Anti-Corruption: Our suppliers shall agree to condemn and act against corruption in all its forms, including extortion and kickbacks.* » (📖 See "Working methods" in Supplier's Code of Conduct page 2) All the Group's brands have adopted and implemented the Supplier's 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.

☑ Commitment to be in compliance with all relevant anti-corruption laws, including the implementation of procedures to know the law and monitor changes(B2)

The Group conducts business internationally and as a result is subject to various types of risks and uncertainties. In order to protect itself against the risks associated with an inadvertent failure to comply with a change in regulations, the Group has established a regulatory monitoring system in each of the regions where it operates. The Group maintains very few operations in politically unstable regions. The legal and regulatory frameworks governing the countries where the Group operates are well established. Furthermore, it is important to note that the Group's activity is spread for the most part between three geographical and monetary regions: Asia, Western Europe and the United States. This geographic balance helps to offset the risk of exposure to any one area. Lastly, the Group takes an active part in discussions worldwide on negotiations regarding access to markets as well as agreements on easing access to the European Union for non-European tourists.

☑ Policy on anti-corruption regarding business partners (D5)

• *« Responsible behaviour towards partners: LVMH is committed to maintaining equitable and loyal relationships with its partners (suppliers, distributors, subcontractors, etc.). LVMH will inform all of its commercial partners of its ethical principles and expectations. LVMH asks its suppliers to comply with the principles set out in the Suppliers' Code of Conduct. This code specifies the demands in the areas of social issues (forced labour, child labour, harassment, discrimination, pay, working time, freedom of unions, and health and safety), environmental and operational issues (legality, custom tariffs, safety, subcontracting and corruption).*

***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 authorises 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 organisations in an attempt to promote a particular interest or obtain or maintain an advantage. » (📖 See "LVMH Code of Conduct" page 13).*

• *« Anti-Corruption: Our suppliers shall agree to condemn and act against corruption in all its forms, including extortion and kickbacks. » (📖 See "Supplier's Code of Conduct" page 2).*

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

☑ Support by the organization's leadership for anti-corruption (B4)

The principal missions of the Board of Directors are especially to:

- review the essential characteristics of the internal control and risk management systems adopted and implemented by the Company ;

- disseminate the collective values that guide the Company and its employees and that govern relationships with consumers and with partners and suppliers of the Company and the Group ;
- promote a policy of economic development consistent with a social and citizenship policy based on concepts that include respect for human beings and the preservation of the environment in which it operates.

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

☑ Process to deal with incidents (D13)

The procedures available on the Finance Intranet detail the format, content and frequency of financial reports. The Finance Intranet is also used for the dissemination of Internal Control principles and best practices. Best practices and implementation tools are available online via this Intranet site, covering the issues emphasized by the Group: conflicts of interest, delegations of authority, business continuity plans, IT disaster recovery plans, policies and guidelines for information system security, exception reports, the segregation of duties and resulting conflicts relating to sensitive transactions, and the control of media expenses. (📖 See "2.3. General internal control principles" in 2011 Reference Document page 82.)

☑ Public legal cases regarding corruption (D14)

No incidents to report.

Value chain implementation

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

📖 See 2011 Reference Document (<http://www.lvmh.com/investor-relations/documentation>):

- page 13 ("1.2.4. Supply sources for wines and cognac *eaux de vie* and subcontracting"),
- page 16 ("2.4. Supply sources and subcontracting for Fashion and Leather Goods")
- page 19 ("3.3.. Supply sources and subcontracting for Perfumes and Cosmetics")
- page 21 ("4.3. Supply sources and subcontracting for Watch and Jewelry")

📖 See 2011 Annual Report (<http://www.lvmh.com/investor-relations/documentation>): pages 11 and 12 of the "Sustainable Development" chapter ("Responsible Partnerships").

☑ Analysis of sustainability risk, opportunity and impact in the value chain, both upstream and downstream

The Group's production activities are mainly located in France, Spain and Italy, and the majority of its subcontractors are in Europe. However, in addition to the codes and charters already developed by the companies of the Group for their suppliers, LVMH felt it important to establish a standard policy extending its values to all suppliers and subcontractors.

- **Internal tools:**

- 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. Finally, as a complement to these processes, and in order to institute a single approach for all brands, the Group has pursued a project launched in 2010 that seeks to create a formal framework for major risk management and internal control called ERICA (“Enterprise Risk and Internal Control Assessment”).
 - Critical Suppliers: Different criteria are taken into account in order to identify a list of critical suppliers. Each Maison has to apply these criteria to their supplier panel in order to rank them by level of risk.
 - Criteria to go through Supplier criteria: Exclusive, monopoly, use of subcontractors.
 - Quantitative criteria: turnover with the supplier, part of LVMH turnover over supplier turnover,...
 - Qualitative criteria: country origin, type of category, brand names on the product, certification,....
 - 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 LVMH Code of Conduct (ethical and good governance principles), but also the Environmental Charter first adopted in 2001 and the Supplier's Code of Conduct introduced in 2008, which ensure compliance across the entire supply chain with strict guidelines.
 - To assist the different brands to evaluate the performance of their products and their suppliers and, if necessary, assist them in an improvement process, the LVMH environmental department provided them since 2006 with tools, enhanced with new textile standards. Adapted to each business, it provides a black and a grey list of chemicals substances used in apparels (more than 20 substances including REACH substances), information on the current legislation in the different countries and information on asking suppliers the right questions. Fashion and Leather Goods brands are of course included in the environmental reporting perimeter and use the corporate indicators like KPI to evaluate their performance.
 - Working groups and Annual Supply Chain Meeting comprising experts from various Group Houses presented, as they have in 2011, 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.
- **Exposure analysis:**
 - Breakdown of supply sources: The "2011 Reference Document" indicate for each business group different examples:
 - page 13: resources purchased from non-Group suppliers (for Wines and Spirits: dry materials, Hennessy making only very limited use of subcontractors for its core business,...),
 - pages 16, 19 and 21: % of subcontracting allowing to analyze the dependence on specific suppliers (in 2011, the use of subcontractors for Fashion and Leather Goods operations represented about 45% of the cost of sales ; manufacturing subcontracting represented overall

about 9% of the cost of sales for Perfumes and Cosmetics ; for Watches and Jewelry, subcontracting represented 10 % of the cost of sales in 2011...);

- Examples of major risks to address:

- Fashion and Leather Goods: counterfeited goods, failure of key suppliers,... ;
- Wines and Spirits: product recall, counterfeited goods and parallel markets,... ;
- Watches and Jewelry: parallel market, product launch failure / excess cost,... ;
- Perfumes and Cosmetics: failure of key suppliers, credit risk,... ;
- Common: reputation/adverse media campaign, damage to image or reputation, industrial and environmental risks, foreign currency and interest rate risk,...

📖 For more information on the different risk categories, see "Business risk factors and insurance policy" in the LVMH "2011 Reference Document" from page 37 to 41.

☑ **Policy on value chain, including a policy for suppliers and subcontractors**

📖 See "2011 Reference Document":

- pages 38-39 ("2.1.7. Supply sources and strategic competencies"),
- pages 79-80 ("1.8.1. Relations with suppliers"),
- pages 100-107 ("2. Implementation of risk management and internal control procedures").

• **Statement and principles:**

- Since 2008, all of the Group's brands have adopted and promulgated the Supplier's Code of Conduct which sets forth the Group's requirements in terms of CSR. (📖 See "Supplier's Code of Conduct").
- All Maisons have also incorporated REACH regulatory requirements in their contractual documents so as to involve all suppliers in this effort. The internal control mechanism applies to the respect of ethical and good governance principles in the relations with suppliers.

• **Risk management:**

- **Strategic resources:** The attractiveness of the Group's products depends, from a quantitative and qualitative standpoint, on being able to ensure adequate supplies of certain raw materials. In addition, from a qualitative perspective, these products must meet the Group's exacting quality standards. This mainly involves the supply of grapes and *eaux-de-vie* in connection with the activities of the Wines and Spirits business group, of leathers, canvases and furs in connection with the activities of the Fashion and Leather Goods business group, as well as watchmaking components, gemstones and precious metals in connection with the activities of the Watches and Jewelry business group.
- **Preferred partnerships:** In order to guarantee sources of supply corresponding to its demands, the Group sets up preferred partnerships with the suppliers in question. Although the Group enters into these partnerships in the context of long term commitments, it is constantly on the lookout for new suppliers also able to meet its requirements. By way of illustration, an assessment of the risk that a vendor may fail has been carried out and good practices have been exchanged, leading notably to implementing the policy of splitting supplies for strategic Perfumes and Cosmetics products. As an example, Watches and Jewelry has implemented industrial coordination through the use of shared resources, such as prototype design capacities, and by sharing the best methods for preparing investment plans, improving productivity and negotiating purchasing terms with suppliers. In addition, for some rarer materials, or those whose preparation requires very specific expertise, such as certain precious leathers or high-end watchmaking components, the Group pursues a vertical integration strategy on an ad hoc basis.

• **2011 best practices:** Relations with any partner necessitate the latter's commitment to comply with all ethical principles enunciated in the Supplier's Code of Conduct. Many initiatives by Group companies illustrate this commitment:

- Questionnaire and preliminary audits:
 - Louis Vuitton has implemented an ethical system of preliminary audits founded on compliance with local regulations as well as the SA 8000 social accountability standard. A questionnaire on "environmental practices" is also included in the internal control standard.
 - Donna Karan has developed a Vendor Profile Questionnaire, a document signed by the subcontractor when the pre-approval request is submitted.
 - The Glenmorangie Company Limited employs a method to assess its suppliers by establishing an assessment form. A series of questions is put to suppliers to assess their performance in terms of human rights. If suppliers – particularly those who are not members of the European Union – do not meet assessment criteria, the company reserves the right to conduct an audit and/or refuse their services.
 - Moët Hennessy Diageo France signs ethical engagements with its sub-contractors.
- Supplier's commitment:
 - Moët & Chandon and Glenmorangie present a specifications document for signature to subcontractors.
 - LVMH Fragrance Brands has laid out its code of ethics within the framework of the Perfumes and Cosmetics sector, and communicated this with a letter from the CEO to its suppliers. Suppliers then sign an agreement before orders are approved.
 - Sephora has developed a supplier specifications documents including 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.
- Standards and regulations:
 - TAG Heuer and Loewe require that all new suppliers submit a written pledge indicating their compliance with the SA 8000 standard.
 - Loewe also requires its suppliers to have ISO9001/14011/OSHAS 18000 certification.
- Guerlain actively manages its supplier relationships on a number of levels. All calls for tender include a paragraph formally setting out what is expected of contractors in terms of their commitment to sustainable development. A questionnaire has also been sent to more than 80% of strategic suppliers to assess their environmental and social practices. Finally, a special audit was performed on one of the Maison's strategic suppliers.
- LVMH also requires that its suppliers adhere to the same guidelines imposed by regulatory requirements (for example in the field of consumer safety).

• **Formal Policies or Programs on Responsible Procurement:** The responsible requirements of products are taken into account through many different process and strong initiatives:

- **Watches and Jewelry:** The Watches & Jewelry business group of LVMH is a member of the Responsible Jewellery Council (RJC), an organization of more than 160 professionals around the world committed to the promotion of ethics, human and social rights and environmental practices throughout the product chain, from the mines to the points of sale. The RJC has developed a certification system for members involved in gold and diamond work which requires audits by accredited independent auditors. The certification scope within the Watches & Jewelry Maisons includes Bulgari, TAG Heuer, Hublot, Zenith, Chaumet and Fred. Bulgari, TAG Heuer, Chaumet

and Fred are RJC-certified. Zenith was certified in January 2012, while Hublot and Louis Vuitton's jewelry business aim to be certified in the first half of 2012.

- **Fashion and Leather Goods (safeguarding raw materials):** The choice of components and raw materials used in product manufacture is a main force behind protecting the environment and precious resources (exotic leathers, fur, wood, plants, etc).
 - The LVMH Group applies the Convention on International Trade in Endangered Species of Wild Fauna and Flora (**CITES**).
 - LVMH is involved on an ongoing basis with Business for Social Responsibility (BSR) and the United Nations Conference on Trade and Development (UNCTAD), primarily as a member of working groups within these organizations, aimed at establishing best practices in the **sourcing of exotic leathers**.
 - In the Fashion & Leather Goods business group, Louis Vuitton always tries to select **woods with FSC or PEFC labels** for store construction, window dressings, customer packaging and some of its exclusive products. As a standard practice it carries out an in-depth investigation of the source of exotic wood to make sure the wood comes from sustainably managed forests.
 - Since 2010 Edun, a pioneer in ethical fashion, has lent its support to the “**Conservation Cotton Initiative Uganda**” (CCIU) whose goal is to promote the cultivation of organic cotton in Africa and thus benefit the local clothing industry. In 2011, Edun has introduced CCIU cotton into the production of its *Kenya Kids* Tees and Edun Basics for its fashion collection. Also, the Edun T-shirt line, Edun Live, primarily uses CCIU cotton.
- **Perfumes and Cosmetics:**
 - For many years the Perfumes & Cosmetics Research and Development Department has focused on **ethnobotany**. The department identifies plant species from around the world that could be used in cosmetics, and helps protect these species and develop local economies. Guerlain, for instance, is a partner in the Tianzi natural reserve in China as part of a 10-year “sustainable development” sponsorship agreement focusing on reforestation, orchid planting, and a social program for local populations. The Maison has also introduced an initiative for responsible cultivation of vetiver on the Coimbatore high plateaux in southern India.
 - For the Perfumes & Cosmetics business group, the **entire jasmine sector is audited**.
 - Guerlain has introduced ambitious **eco-design initiatives** such as the trial of Orchidée Impériale refills at some of its Paris stores. Thus, since the end of September 2011, Guerlain has offered customers of this exceptional skin care cream the possibility of refilling their Orchidée Impériale jars at the Sèvres and Passy stores. Customer feedback has been extremely positive and enthusiastic. The volume of the packaging has been reduced by 15% and more recycled materials are used for the box portion and thermoformed inner trays. A label on the back of the box is a further way of informing customers about Guerlain's commitment to eco-design. One of the products launched in 2011 was Terracotta Inca, featuring a case made of FSC-certified European beech, finished with clear varnish and produced by a European supplier using semi-artisan techniques.
 - The Maisons are involved in a variety of initiatives with stakeholders. For example, in September 2011 Parfums Christian Dior and its site at Saint-Jean-de-Braye in France were awarded two peony awards for their environmentally friendly initiatives in energy, water, waste management, transport/mobility, introduction of standards, responsible purchasing, community relations and organizational management. This award is part of the “**Eco-Responsible Cosmetic Valley**” **charter**, introduced in October 2009 by the Cosmetic Valley competitiveness cluster, the first global center of perfume and cosmetic resources. Under the

charter, awards are given in the form of up to four peonies, depending on the importance of the eco-responsible initiatives undertaken by the cluster's 45 members.

○ **Wines and Spirits:**

- The entire Champagne-Cognac-Vodka division is also **ISO 22000 certified** in food safety management. The aim of this certification is to standardize food safety management practices and guarantee maximum safety for the consumer.
- In the area of sustainable viticulture supported by all relevant Maisons, Hennessy's wine-growing and wine-production subsidiary Sodepa, based in Cognac, has a 12-hectare vineyard that was selected in January 2011 to be part of the **network of farms identified by the French government under the 2018 Ecophyto plan** as being a benchmark in environmental standards.
- Bodegas Chandon is a member of the **Sustainable Development Commission of "Argentina Wineries,"** a trade association whose main goal is to define and set the parameters for the wine industry's key sustainability indicators when it comes to water and energy consumption. Bodegas Chandon is also part of the "clean production" program, supported by the **Mendoza Environment Secretary and the Inter-American Development Bank (IADB)**. The program's aim is to foster synergies between the government and wine-production businesses in order to train and educate suppliers, provide information to the general public and increase the percentage of material that is recovered and recycled.

○ **All business group:**

- **Eco-design:** The Maisons have specific resources and training programs that allow them to incorporate environmental concerns into the design of their products to the greatest extent possible.
 - Minimizing materials: Since 2011, other Group Maisons, such as Hennessy and the Champagne Houses, have used the **Environmental Performance Index (EPI)** that was created by the Perfumes & Cosmetics Maisons and applies to packaging. EPI is based on the following criteria: separability of material, volume, weight, use of refills, and environmentally friendly material. For its part, Moët & Chandon has developed a new range of cases and supplied FSC-certified shipping crates to suppliers. As a result of this new working method, Ruinart has developed a new eco-designed presentation box.
 - The "**Eco-Material Handbook**" which is distributed in-house and updated annually, identifies about forty materials that offer the kind of environmental performance required for the Group's products and explains how each business can use them. The materials are categorized by application: packaging, textiles and leathers, communications and store design.
 - Environmental labeling: LVMH and the Group's Maisons actively follow the work being done in France, the rest of Europe and around the world **on environmental labeling**, particularly in the Perfumes & Cosmetics, Fashion & Leather Goods and Wines & Spirits sectors. Sephora and Louis Vuitton, for example, are currently participating in trials in France **at the initiatives of government**. Environmental indicators that comply with the official standard are available on Sephora's website for bath and shower gels and creams. For its part, Louis Vuitton is monitoring the work being conducted on fashion products and participated in quality testing carried out in 2011 to create a "Shirt" standard.

- **Product safety:** To ensure a high level of protection of human health and the environment from the potential risk of chemicals, LVMH anticipates and implements various regulations that apply both to the operation of its sites and to the manufacture of its products. [📖 See "2011 Environment Report" (pages 28-29) and "2011 Reference Document" ("1.4.7. Consumer safety" pages 90-91).]
 - particularly REACH Regulation (Management of sites):
 - ✓ for example, in 2011, Louis Vuitton continued its policy of implementing the REACH regulation, under the direction of its internal REACH Committee. Specifically, it produced a training module aimed at buyers and developers, performed regular screening of materials, sent annual letters and monitored suppliers. It also helped partners replace non-compliant materials where necessary. In monitoring product compliance ;
 - ✓ for example, in 2011, in conjunction with its raw material suppliers, Loewe is implementing a REACH program as a basis for its environmental strategy.
 - Initially, a program to test supplier compliance was established to categorize the chemical components most frequently encountered in the composition of raw materials.
 - A laboratory study was then launched, taking account of suppliers and key materials. As a result, 127 samples of the main materials were tested (leather, exotic leather, textiles, ready-to-wear textiles, metal hardware, silk, packaging, and so on). In 2011, the Maison arranged for 278 tests to be conducted by certified laboratories on samples of supplier raw materials. The results were shared with the suppliers and when necessary led to plans for corrective action. (📖 See results page 29 of 2011 Environment Report).
 - applied to suppliers since December 2010: "Classification, Labeling, Packaging" Regulation (Globally Harmonized System Regulation) contributes to the safety of substances used in cosmetics products ;
 - the new european regulation n° 1223/2009 on cosmetic products, adopted on November 30, 2009, will take effect in July 2013 ;
 - development of alternatives to animal testing forbidden in LVMH Group since 1989, etc....
- **Commitments and Research in Biodiversity:**
 - The LVMH group **subscribes to France's "2011-2020 National Biodiversity Plan,"** which was unveiled by the French government on the eve of World Biodiversity Day on May 22, 2011. The plan contains France's share of the international commitments endorsed in Nagoya in 2010 to curb biodiversity loss.
 - LVMH 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)**.


☑ **Communication of policies and expectations to suppliers and other business partners**

- In March 2008, LVMH deployed a **Supplier's Code of conduct** aimed at its suppliers and subcontractors. Since 2008, all of the Group's brands have adopted and promulgated the Supplier's 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. Any breach of conduct or any violation of this code of conduct by our suppliers or their subcontractors would result in a review and possible termination of the business relationship
- The successful upstream **integration of relationships with suppliers** is based on a three-pronged approach: awareness, regulation (whose ISO 14001) and audit:
 - In terms of methods and organization, Louis Vuitton includes a questionnaire on "environmental practices" in standard for internal control.
 - As an example, in 2011, Loewe has adopted an "environmental compliance program" with the help of a specialist firm. The program primarily provides information about regulations and implements an improvement plan called "zero legal non-compliance", which serves as a basis for the auditing of three Spanish production sites.
 - Guerlain actively manages its supplier relationships on a number of levels. All calls for tender include a paragraph formally setting out what is expected of contractors in terms of their commitment to sustainable development. A questionnaire has also been sent to more than 80% of strategic suppliers to assess their environmental and social practices. Finally, a special audit was performed on one of the Maison's strategic suppliers.

☑ **Monitoring and assurance mechanisms (e.g. audits/screenings) for compliance in the value chain**

The Supplier's Code of Conduct sets forth the principle and procedures for the control and audit of compliance with these guidelines. In the interest of continued improvement in this area, the Group's Houses have continued their supplier audit programs in 2012, together with follow-ups on action plans.

- In 2011, 453 social and/or environmental audits were carried out, nearly 80% of which by specialized external service providers, at 346 of our suppliers. Among these audits, 380 related exclusively to social criteria.
 - More than one-third of these audits showed results in line with our standards and 38% 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 21% and 3% of audits performed, respectively. In all, 121 corrective action plans were implemented at our suppliers where audits had identified areas in need of improvement. In addition, some Group companies were prompted to put an end to their existing relationships with suppliers whose social audit findings revealed major issues of non-compliance with our Code of Conduct.
 - Among developments during the year, the increasing use of preliminary audits (43 performed in 2011) enabled better advance identification of supplier practices, thus leading to the decision to refrain from working with certain potential suppliers.

- In addition, some Group companies were prompted to put an end to their existing relationships with suppliers whose social audit findings revealed major issues of non-compliance with our Code of Conduct.  As a reminder, see also for instance "2010 Annual Report" (p. 61): « (...) *the Perfumes and Cosmetics business group refused to continue to work with a site of one of its suppliers which did not meet the requirements of the code of conduct for employee safety and the payment of overtime; and the Donna Karan brand ended its collaboration with two of its suppliers.* »

- Several companies such as Louis Vuitton, Kenzo, Loewe and LVMH Fragrance Brands audit their suppliers with regard to child labour, working hours, employee health and safety, etc. For Perfumes & Cosmetics business group, the entire jasmine sector is audited.

☑ Awareness-raising, training and other types of capacity building with suppliers and other business partners

- **2011 Capacity-building & incentives:**

- Hennessy educates its suppliers and outside contractors about environmental matters, assists them with their environmental initiatives and assesses their progress, particularly suppliers of dry solids, who are assessed annually. In October 2011, Hennessy organized the first Hennessy Technical Forum at its winery for its wine-growing partners. Almost 500 partners attended the forum, which featured talks, workshops and individual networking sessions.
- The successful upstream integration of Louis Vuitton relationships with suppliers is based on a two-pronged approach: awareness and regulation. For Louis Vuitton, all suppliers (i.e., product manufacturers, shippers and contractors), particularly those associated with the leather goods chain, are strongly encouraged to obtain ISO 14001 certification. This creates a dynamic that encourages a growing number of suppliers to commit to environmental initiatives.
 - Examples of this include the installation of solar panels by one of our partner tanneries, reclamation of production waste (waste-to-energy recovery from residues used for merchandising or for certain products), waste water treatment, green roofs at two suppliers in Asia, and the implementation of clean technologies to reduce water pollution during tanning operations.
 - In 2011, for Louis Vuitton's "Green Supply Chain" project, transport and logistics providers are fully integrated in the plan to obtain ISO 14001 certification for the leather goods supply chain. In 2011, the Maison once again called for bids for its international transport. The first selection criterion was based on an analysis of the contractors' commitment to the environment and what progress they have made in this regard. In addition, a logistics loop was established between the various suppliers and the Louis Vuitton workshops to significantly reduce transport flows. In collaboration with a service provider, Louis Vuitton is developing a tool to calculate CO₂ emissions from transporting leather goods across the entire logistics network. This tool will provide faster and more accurate information about CO₂ emissions per flow and mode of transport. Local supply solutions are sought whenever possible. Service providers in multiple areas, from maintenance and cleaning to logistics, boxes and waste disposal, are selected for their proximity to the Louis Vuitton workshops or sites. For the Barbera workshops in Spain, leather is purchased from five tanneries located no more than 60 km away. Domestic transport between workshops has thus been reduced by 30%. Similarly, 10% to 15% of the workshops' metal hardware suppliers are concentrated within a 35 km radius.

- Bodegas Chandon, is a member of the Sustainable Development Commission of "Argentina Wineries," a trade association whose main goal is to define and set the parameters for the wine industry's key sustainability indicators when it comes to water and energy consumption. Bodegas Chandon is also part of the "clean production" program, supported by the Mendoza Environment Secretary and the Inter-American Development Bank (IADB). The program's aim is to foster synergies between the government and wine-production businesses in order to train and educate suppliers, provide information to the general public and increase the percentage of material that is recovered and recycled.
 - Donna Karan International sponsors trainings for its vendors: In the summer of 2011, over 220 representatives from 45 vendors and 97 factories attended the Donna Karan International sponsored social compliance and restricted substances trainings held in New York City and Shanghai and Shenzhen China. The two-day trainings, which were run by third-party experts, covered supplier capacity building and continuous improvements, worker engagement, corrective action plan improvements, and restricted substances updates.
 - Belvedere organized a seminar for employees and suppliers, in conjunction with some scientific bodies (a university and the Institute of Soil and Plant Cultivation), to promote best practices in rye cultivation. The main purpose was to analyze the comparative impact of various grades of rye and to gain a better understanding of eco-cultivation.
- **2011 Societal Involvement:**
 - For example, in Haiti, after the violent earthquake of January 12, 2010, DFS and its employees immediately linked their suppliers and their customers via a campaign to raise funds for the construction and running of a school. On October 3, 2011, approximately two years after the disaster, the Jean-Baptiste Pointe du Sable high school opened its doors.
 - Together with the Wildlife Conservation Society and Invisible Children, Edun set up the Conservation Cotton Initiative Uganda (CCIU) in 2008. Based in Gulu in the northwest of Uganda, an area which until recently was devastated by civil war, the CCIU programme currently supports 5,000 farmers and their families. The CCIU programme is managed by TechnoServe and enables Edun to affect change at the start of the supply chain. In 2011, Edun is proud to introduce CCIU cotton into the production of its *Kenya Kids* Tees and Edun Basics for its fashion collection. Also, the Edun T-shirt line, Edun Live, primarily uses CCIU cotton.

Transparency and Verification

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

☑ Legal structure, including any group structure and ownership

📖 See "2011 Reference Document" from page 5 to 22 and "2011 Annual Report" from page 3 to 11.

☑ Countries where the organisation operates, with either major operations or operations that are specifically relevant to sustainability

📖 See "2011 Reference Document" from page 5 to 22 and "2011 Annual Report" from page 3 to 11.

☑ **Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries)**

📖 See "2011 Reference Document" from page 5 to 22 and "2011 Annual Report" from page 3 to 11.

☑ **Primary brands, products, and/or services**

📖 See "2011 Reference Document" from page 5 to 22.

📖 See "Business Review" in "2011 Annual Report" from page 12 to 65.

☑ **Direct and indirect economic value generated for various stakeholders (employees, owners, government, lenders, etc.)**

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

☑ **COP includes comparison of key performance indicators for the previous 2-3 years**

- Comparison of **environmental indicators** for the previous years: 📖 See "2011 Environment Report", from page 24 to 33.
- Comparison of **social indicators** for the previous years: 📖 See "2011 Reference Document", from page 69 to 77.

☑ **Board, where permissible, approves COP and other formal reporting on corporate sustainability**

The reporting on corporate sustainability is approved by the Board of Directors.

☑ **Relevant sustainability information from COP is included in annual financial report and filings**

The "Reference Document" includes the relevant sustainability information and reporting.

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

☑ **Accuracy of information in COP is verified against assurance standard (e.g. AA1000, ISAE 3000)**

Information is verified against **assurance standard**:

- Review by Ernst & Young with the aim of providing **reasonable assurance** on selected environmental indicators, **on the basis of ISAE 3000** (International Standard on Assurance Engagements) issued by the IFAC (International Federation of Accountants) in December 2003 (📖 See "Report issued by one of the

statutory auditors on selected environmental indicators" in "2011 Reference Document", pages 92-93 and in "2011 Environment Report", page 47).

- Review by Deloitte & Associés with the aim of providing **moderate assurance** on certain social indicators (📖 See "Report of one of the statutory auditors on the review of certain social indicators" in "2011 Reference Document", page 82).

☑ Accuracy of information in COP is verified by independent auditors (e.g. accounting firm)

Information is verified by **independent auditors**:

- Review by **Ernst & Young** on selected environmental indicators (📖 See "Report issued by one of the statutory auditors on selected environmental indicators" in "2011 Reference Document", pages 92-93 and in "2011 Environment Report" page 47).
- Review by **Deloitte & Associés** on certain social indicators (📖 See "Report of one of the statutory auditors on the review of certain social indicators" in "2011 Reference Document", page 82).