

United Nations Global Compact

Communication on Progress 2013

LVMH

MOËT HENNESSY ♦ LOUIS VUITTON

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The Communication on Progress is in the following format :

Stand-alone document

What is the time period covered by your COP ?

Year 2012 in accordance with all reports of LVMH :

- "Reference document 2012"
- "Annual Report 2012"
- "Environmental Report 2012"
- "Social Responsibility Initiatives 2012".

Does your COP contain a statement by the CEO (or equivalent) expressing continued support for the Global Compact and renewing your company's ongoing commitment to the initiative and its principles ?

Y/N

Statement from the CEO

« LVMH comprises a family of iconic brands that cultivate their magic and perpetuate exceptional know-how, a consistent strategy and an exceptionally broad, high-quality retail network. In addition to the intrinsic stability and financial strength of our company, our brands have been patiently built up over time. They take into account issues that are inseparable from our long-term strategy, namely the safeguarding of the natural environment, to which LVMH owes so much, corporate social responsibility, and strict ethical standards which we share with our suppliers, customers and shareholders. This intangible capital is paramount to our future success.

With this "Communication on Progress 2013", LVMH reminds that CSR and Sustainable development are inseparable from LVMH's strategy based on four important dimensions : Social policy ; Economic performance ; responsible Environment ; commitment to citizenship »

Bernard Arnault, CEO

Does your COP contain a description of actions and policies related to the following issue areas ?

Human Rights	Labour	Environment	Anti-Corruption
Yes	Yes	Yes	Yes

Does your COP contain, if relevant, a description of policies and practices related to your company's operations in high-risk and/or conflict-affected areas ?

Y/N

Does your COP include qualitative and/or quantitative measurement of outcomes illustrating the degree to which targets/performance indicators were met ?

Y/N

How does your organization share its COP with stakeholders ?

Through the UN Global Compact website only

COP is easily accessible to all interested parties (e.g., via its website)

How is the accuracy and completeness of information in your COP assessed by a credible third-party ?

☑ Information is assured by independent assurers (e.g., accounting or consulting firm) against recognized assurance standard (e.g., ISAE3000, AA1000AS, other national or industry-specific standard)

- Statutory Auditors DELOITTE & ASSOCIÉS have established an assurance report in accordance with ISAE 3000 about social informations and corporate consequences relating to the Group's activity and characteristics as well as its corporate commitments.
- The Independent Verifier ERNST & YOUNG et Associés have established an assurance report in accordance with ISAE 3000 about environmental informations with respect to the consequences related to the Group's business and characteristics.

The COP incorporates the following high standards of transparency and disclosure :

☑ Provides information on the company's profile and context of operation

Implementing the Ten Principles into Strategies & Operations

Criterion 1: The COP describes mainstreaming into corporate functions and business units :

- ☑ Place responsibility for execution of sustainability strategy in relevant corporate functions (procurement, government affairs, human resources, legal, etc) ensuring no function conflicts with company's sustainability commitments and objectives :
- ☑ Align strategies, goals and incentive structures of all business units and subsidiaries with corporate sustainability strategy
- ☑ Assign responsibility for corporate sustainability implementation to an individual or group within each business unit and subsidiary
- ☑ 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

1. Commitment and involvement at the highest level :

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**.

- The declarations and commitments in the field of CSR and sustainable development have been approved by **Bernard Arnault, Chairman and Chief Executive Officer**.

	International agreements supported	Commitments signed
Cross-cutting issues	« Universal Declaration of Human Rights »	« United Nations Global Compact » (2003)
	« OCDE Guidelines »	« Gordon Brown's Millenium Development Goals » (2007)
	« Kimberley Process »	▪ Watches & Jewelry business group of LVMH member of the RJC (Responsible Jewellery Council) since 2011
Environment	« Caring for Climate (voluntary and complementary action platform for UN Global Compact) »	▪ « Copenhagen Communiqué on Climate Change » launched at the initiative of the Prince of Wales and Cambridge University (June 2009)
	« CITES Conventions (on International Trade in Endangered Species) »	
	« Millennium Development Objectives »	
Social	« International Labour Organization conventions »	« Apprenticeship Charter » (June 2005)
		« Enterprise Charter for Equal Opportunity in Education » (December 2006)
		« Diversity Charter » (2007)
		« Charter for professional integration of disabled people » (November 13, 2009)
		« Women on the Board Pledge for Europe » (July 12, 2011)

- **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 "2012 Reference Document" page 224)

2. Steering Committee :

The "LVMH Code of Conduct", adopted in May 2009, summarizes the contacts responsible for ensuring CSR implementation and compliance within a dedicated **Steering Committee** : Sylvie Benard (Environmental Affairs Department), Chris Hollis (Financial Communications Department) and Christian Sanchez (Social Development Department). The collaboration developed between LVMH and the Houses allow to discuss the stakes concerning sustainable development and CSR through different tools and meetings : committees and specific international networks (social, environment, supply chain, communication...), local committees, annual conventions, working groups, collaborative tools, events, etc.



- 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. Generating even greater synergies between the Maisons, the LVMH ecosystem was set up in 2012 to provide a new, highly collaborative approach, with the creation of a global HR community on the **Group intranet, "Voices"**. Over 1,100 HR employees are now signed up to this site and can communicate freely, sharing experience and best practices, and accessing a shared database which is essential to their work.

- 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 "2012 Environmental Report" pp. 38-39).

- **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.

3. Incentive schemes :

- 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 2 : The COP describes value chain implementation :

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

1. Formalized process about risk exposure analysis :

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 Corporate Social Responsibility. The activities relating to the control and remediation of internal control weaknesses are reflected, documented and tracked as part of the management process that guides all of the Group's core entities. The Group's Guidelines may also be found on the Finance Intranet, together with specially designed tools for the evaluation, prevention and coverage of risks. These materials may be accessed by all personnel involved in the application of the Group's risk management procedures. (📖 See "2012 Reference Document" pages 104-111.)

- 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. This project was implemented at all significant Group entities in 2011, adopting an intentionally pragmatic and gradual approach, beginning with an in-depth focus on several major risks: to date, the Management Committees of each business group and of the regional holding companies have selected six major risks among the 42 identified by LVMH, with the aim of deploying actions plans for all of these risks by June 30, 2013. ☞ See "Implementation of risk management and internal control procedures" in "2012 Reference Document" (pages 104 to 111) and in particular "2.2. Main risk management principles" and "2.2.3. Establishment of formal procedures for the ERICA system" (pages 105-106.)

- **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,...

2. Examples of supplier’s risk analysis :

- **Geographical exposure :** The Group's production activities are mainly located in France, Spain and Italy, and the majority of its subcontractors are in Europe.

- However, 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.
- 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.

- **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,....

- **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.

- 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.

• **Strategic Resources and Programs on Responsible Procurement** : 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.

Breakdown of supply sources : The "2012 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 20 : % of subcontracting allowing to analyze the dependence on specific suppliers :
 - in 2012, the use of subcontractors for Fashion and Leather Goods operations represented about 41% of the cost of sales ;
 - manufacturing subcontracting represented overall about 8 % of the cost of sales for Perfumes and Cosmetics ;
 - for Watches and Jewelry, subcontracting represented 12 % of the cost of sales in 2012...

- **Watches and Jewelry** : Although LVMH's Watches & Jewelry business group has been a member of the Responsible Jewellery Council (RJC) since 2005, each Maison in the Watches & Jewelry business group became an individual member of the RJC in 2011. The RJC has developed a certification system for members involved in gold and diamond work which requires audits by accredited independent auditors. This certification now includes Bulgari, Chaumet, Christian Dior Couture, Fred, Hublot, TAG Heuer (and the distribution subsidiaries in the United Kingdom, Japan and the United States), Zenith and the jewelry business of Louis Vuitton.
- **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) signed on March 3,1973 at Washington. In 2012, LVMH adopted a Code of Conduct «Animal Sourcing Principles» on procurement of leather. 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.
 - 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.
 - Exotic Woods : In the Fashion & Leather Goods business group, Louis Vuitton consistently checks the origin of wood to ensure it comes from sustainably managed forests and always tries to select woods that have been certified by the FSC or PEFC (Programme for the Endorsement of Forest Certification) for store construction, window dressings, customer packaging and some of its exclusive products. In 2012, Louis Vuitton conducted a program to educate all staff involved in purchasing wood or wood products – such as for accessories, trunks, architecture, merchandising, writing implements, eyewear and customs interface – about the upcoming requirements of the EU Timber Regulation, which entered into force on

March 3, 2013. This regulation describes the obligations of operators placing timber or timber products on the European market and in particular makes it illegal to place illegally harvested timber and timber products on the EU market. The Group is currently putting together a compliance methodology (register, due diligence system, etc.).

- 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 :**

- The Ethnobotanical Innovation Department of LVMH Recherche, Perfumes & Cosmetics has focused on **ethnobotany** for many years. 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. Guerlain’s “sustainable development” event, which took place on June 14 and 15, 2012, was an opportunity to educate all Guerlain France employees about biodiversity issues and present the House’s key initiatives : orchids and the orchidarium program, the natural raw materials saved by the House to create its perfumes, and efforts being made to protect biodiversity at its industrial sites. To better understand and therefore protect this biodiversity, Guerlain has conducted studies at its sites in Chartres, located at the heart of an industrial zone, and Orphin, ideally located between flat open countryside and forest, to produce a diagnosis of all species present. This led to a map of each site’s biodiversity and the development of new initiatives and methods. For example, at Orphin, wildflowers have been planted on two areas of fallow ground and an area has been created for composting plant waste. A number of areas have also been designated for different mowing frequencies and the use of glyphosate has been permanently halted. Lastly, Guerlain is a partner in the Tianzi Mountain Nature Reserve in China under a 10-year sustainable development sponsorship program. (▣ See “Environmental sponsorship and NGOs” in “2012 Environmental Report”, page 51.) In the recent years, 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.

- **Wines and Spirits :** In recent years, the Wines & Spirits Houses have been committed to reducing the use of phytosanitary products. Hennessy is pursuing an initiative to reduce the use of phytosanitary inputs. In January 2011, a 12-hectare vineyard managed by its Cognac-based wine-growing subsidiary, SODEPA, was chosen to join a network of gold standard farms established by the French government under the 2018 Écophyto Plan. An action plan was established for the vineyard that included the trial of a new Bertoni mist sprayer equipped with recuperator panels that reduces the amount of fuel and treatment products used by 30%. For the last three years, the vineyard has been trialing the mating disruption method to protect the vines against vine moths and avoid the use of insecticides. Hennessy has also planted flowers on fallow land and conducted studies on flora and fauna at other sites. To publicize its initiatives and set an example in the region, the House has sent all of its suppliers a copy of a guide called “Viticulture durable des Charentes” (Sustainable Viticulture in the Charente Region) which summarizes its environmental commitment.

○ **All business group :**

▪ **Commitments and Research in Biodiversity :**

- In October 2012, the French Ministry of Ecology, Sustainable Development and Energy awarded LVMH “National Strategy for Biodiversity Recognition” for “improving, from upstream to downstream, the footprint on biodiversity of LVMH activities, with the goal of having an actual positive impact on biodiversity.” The SNB followed France’s ratification of the United Nations Convention on Biological Diversity (CBD). The commitment covers the period from 2012 to 2014. The first measures undertaken involve particularly assessing the impact of the implementation of the Nagoya Protocol on Access to Genetic Resources and the Fair and Equitable Sharing of Benefits Arising from their Utilization (ABS) for the supply channels affected.
- 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).

▪ **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 in packaging :** The **EPI (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. Greenhouse gas emissions generated by packaging materials are also calculated. 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 Houses such as Hennessy and the Champagne Houses.

✓ In 2012, the EPI Excel spreadsheet was replaced by Edibox (Environmental Packaging Performance Index) software, which involved some major adaptation and resulted in a significant improvement. The tool is now sustainable, reliable and universal. Edibox software was introduced in 2012 at Parfums Christian Dior, Guerlain, LVMH Fragrance Brands, Make Up For Ever, Louis Vuitton and Bulgari to integrate environmental criteria into the design of future packaging from the very earliest stages. The EPI rating, which is supplemented by CO₂ emission data, is currently only calculated for packaging materials. Plans are in place to take account of other life cycle stages (transportation, production, etc.) and indicators (water consumption, consumption of non-renewable resources, etc.). In the case of MHCS, the EPI is applied to 32% of existing products and new projects, accounting for 90% of shipped volume.

✓ In 2012, LVMH updated the Packaging and Environment Handbook, which is distributed to all Group Houses. The handbook recaps the questions, methodologies and technical tools relating to packaging design and management, eco-design processes, international regulations, and the environmental impact of materials.

- 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.

- **Environmental labeling** : LVMH and Group Houses are supporting the work being done in France and around the world regarding environmental labeling, particularly for the Perfumes & Cosmetics, Fashion & Leather Goods, Watches & Jewelry and Wines & Spirits business groups.
 - ✓ For instance, to better inform and educate consumers, Sephora and LVMH participated in an environmental labeling trial in France conducted between July 2011 and July 2012 using two of Sephora's flagship products: Shower Gel and Shower Cream. Information on greenhouse gas emissions and water consumption throughout the products' life cycle was posted on Sephora's website. Labeling was based on the template defined by the French Consumer Industries' Liaison and Studies Institute (ILEC) and used by many companies.
 - ✓ LVMH is also very involved in work currently being performed in France on environmental labeling guidelines for different sectors. It is a member of the working groups focusing on food/wines and spirits, beauty, textiles and leather, jewelry/watchmaking and hotels.
- **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 "2012 Environmental Report" (pages 21-23) and "2012 Reference Document" ("1.4.7. Consumer safety" pages 93-94).]

📖 See "2.1.8. Supply sources and strategic competencies" in "2012 Reference Document" (page 39).

📖 See "Environmental and social responsibility of suppliers and sub-contractors" in "2012 Environment Report" (pp. 23-25).

📖 For more information on the different risk categories, see "2. Business risk factors and insurance policy" in the "2012 Reference Document", pages 37-39.

3. Tools :

- 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 2012, a review of their accomplishments and progress made during an annual meeting that provides an opportunity to exchange best practices, to implement shared tools and reference guides, and to identify new areas meriting attention.
 - In 2010, this work resulted in the creation of a **shared supplier database for the Perfumes and Cosmetics business group** and the establishment of a common reference guide for supplier assessment. This reference guide will facilitate exchanges between the various Group companies and follow-ups on social and environmental audits, their findings, and any action plans put in place.
 - In 2012, the Group's Purchasing Department provided all Houses with a **decision-making tool** for social and environmental supplier audits and set up a **database** to share the results of these audits.

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

1. Statement and principles :

- **Charter of the Board of Directors :** According to the "Charter of the Board of Directors" the principal missions of the Board of Directors are 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 "2012 Reference Document" (page 224).

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.
- 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. (📖 See "Supplier's Code of Conduct").
 - **LVMH Code of Conduct :** The LVMH ethical and good governance principles are included in 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. This Code of Conduct serves as the common foundation and source of inspiration in this area for all of our brands or business lines. This Code 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 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).* »
 - **"Environmental Charter"** (deployed in 2001) : 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. As an example, 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.

- **Health and Safety regulations :**

- **REACH Regulation :** All Houses have incorporated REACH regulatory requirements in their contractual documents so as to involve all suppliers in this effort. They also carry out laboratory tests to certify the absence of potentially harmful substances in consumer goods placed on the market. Experts from the various Houses meet regularly as part of a REACH working group to anticipate future phase-outs and share best practices. The LVMH Group also holds specific training courses on REACH implementation. The Group and its Houses also actively follow and implement changes in similar types of legislation in other countries, such as Proposition 65 in California. Since April 2012, the Houses have been sending their suppliers new letters of commitment specifying their requirements for chemical substance management. Suppliers are requested to ensure that the substances used are registered under the REACH regulation, or regulations similar to REACH in the case of suppliers outside Europe. They are also requested not to use any substances listed in the Group's monitoring tool. This internet-based tool, available to suppliers, lists 132 substances that are subject to restrictions or authorization based on REACH, as well as other substances of very high concern (SVHC). The tool aims to help House suppliers better identify the potential use of these substances and the materials in which they may be found. By working to eliminate SVHCs from the supply chain, the Group's goal is to go a step further than the REACH regulation, which does not ban SVHCs. The impact of SVHCs on health and the environment is currently being studied by European specialists who will decide whether or not these substances should be added to Annex XIV of REACH (substances subject to authorization).
- Applied to suppliers since December 2010, the **Globally Harmonized System of Classification and Labelling of Chemicals** (GHS) designed to standardize the classification and labeling of chemicals and contributes to the safety of substances used in cosmetics products.

2. Best practices for the year 2012 :

The successful upstream integration of relationships with suppliers is based on a three-pronged approach : awareness, regulation (whose ISO 14001) and audit. 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 :

- **Supplier's commitment :** LVMH also requires that its suppliers adhere to the same guidelines imposed by regulatory requirements (for example in the field of consumer safety).
 - Moët & Chandon and Glenmorangie present a specifications document for signature to subcontractors. All the brands of Moët Hennessy establish a specifications document presented for signature to their subcontractors that addresses respect for the environment and fundamental labor law compliance, among other issues; every year, supplier audits are carried out to minimize the most significant risks.
 - 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.
 - 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.
 - Moët Hennessy Diageo France signs ethical engagements with its sub-contractors.
- **Questionnaires and 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, which is based on

international workplace norms included in the International Labor Organization (ILO) conventions: no child labor, working conditions, health and safety, 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 field training in the company of an SA 8000 auditor. A questionnaire on "environmental practices" is also included in the internal control standard. Louis Vuitton has an evaluation chart for its Leather Goods suppliers. The environmental portion of the SA 8000 standard has been included in supplier audits since the last quarter of 2012. A questionnaire is sent to window dressing suppliers to learn more about their standard of management.

- 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. Loewe requires its suppliers to have ISO9001/14011/OSHAS 18000 certification. In 2012, Loewe has developed a new supplier assessment and approval process to extend the validity and quality of the standard criteria taken into account when selecting a supplier. More specifically, suppliers of exotic leathers and furs are sent the Animal Sourcing Principles code of conduct, which was developed and adopted in February 2011 by the founding members of the BSR Sustainable Luxury Working Group (SLWG). From 2013, compliance with these guidelines will be an integral part of the supplier assessment and approval process.
- The House will also be making public Loewe's Animal Sourcing Policy adopted at the end of 2012 and that will be distributed to stores and posted on Loewe's website as part of its sustainable development message. Donna Karan has developed a Vendor Code of Conduct designed to ensure respect for fundamental principles of labor law and targeting 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. Donna Karan has also introduced a Vendor Compliance Agreement, which plans for independent audits of suppliers to ensure that commitments have been observed. In order to encourage such practices and share its own expertise, Donna Karan organizes supplier training programs in partnership with Marc Jacobs. These training programs are run by expert third parties and mainly concern employee working hours, the greening of manufacturing facilities, improved corrective action plans, and updates on regulated substances.
- 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.
- 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 (since 2009, Guerlain conducted 120 Ethic and Social audits), 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.
- Belvedere audits its suppliers' dry solids and pure alcohol as part of its safety and environment control process. Suppliers have made a number of improvements, such as installing a new pure alcohol distillery boiler, replacing coal, and reducing fuel consumption by 40%.
- Hennessy has pursued a strategy of dialogue with all its dry solids suppliers and performed environmental audits since 2008. In 2012, in addition to on-site audits, it audited 24 packaging suppliers. Hennessy also conducts awareness campaigns about the REACH regulation with its purchasing, quality control and development departments.
- For the Perfumes & Cosmetics business group, the jasmine sector is audited.

☑ Implement monitoring and assurance mechanisms (e.g. audits/screenings) for compliance within the company's sphere of influence

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.

• **Social and environmental audits** : The Supplier Code of Conduct also sets forth the principle and procedures for the control and audit of compliance with these guidelines. In 2012, over 650 social and/or environmental audits were carried out, nearly 80% of which by specialized external service providers, at 546 of our suppliers. Among these audits, 526 related exclusively to social criteria.

- More than one-third of these audits showed results in line with our standards and 40% 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 20% and 2% of audits performed, respectively. In all, 141 corrective action plans were implemented at our suppliers where audits had identified areas in need of improvement.
- The increasing use of preliminary audits (81 performed in 2012) 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. By way of example, Louis Vuitton decided not to collaborate with one of its potential suppliers following the result of a pre-audit which proved unsatisfactory.📖 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.* »

Suppliers and audits break down as follows, by region :

	Europe	Asia	North America	Africa	Other
Breakdown of suppliers (as %)	65	20	12	-	3
Breakdown of audits ^(a) (as %)	27	63	5	2	3

[a] Of which 12% preliminary audits, 37% initial audits, and 51% follow-up audits.

Scope: Wines & Spirits, Louis Vuitton, Berluti, Donna Karan, Fendi, Givenchy, Kenzo, Loewe, Marc Jacobs, Bulgari, Chaumet, Montres Dior, Fred, Hublot, TAG Heuer, Zenith, Acqua di Parma, Perfumes & Cosmetics, DFS, Sephora.

📖 See "1.8.1. Relations with suppliers" in "2012 Reference Document" (pp. 79-80).

📖 See "Responsible Partnerships" in "2012 Annual Report" (p. 120).

• **RJC certification** : The Responsible Jewellery Council (RJC) has developed a certification system for members involved in gold and diamond work which requires audits by accredited independent auditors. About Responsible jewelry and certification RJC see :

📖 "Responsible Jewellery Council" in "2012 Environmental Report" (p.48).

📖 "1.4.2. Evaluation and certification programs" in "2012 Reference Document" (p. 93).

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

1. Strategic disclosure :

- **Social** : Since 2012 (for the fiscal year 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. This report presents best practices about ethic and social audits. (📖 See “Social Responsibility Initiatives”, July 2013, 32 pages).
- **Environment** : In 2011, LVMH initiated a strategic thought process to identify key themes in order to better deal with the Group's environmental concerns. This process was implemented by a Steering Committee comprised of representatives from seven pilot Group companies and overseen by LVMH's main Executive Committee. In 2012, it resulted in formulation of the “LIFE - LVMH Indicators for Environment” program, based on nine key aspects of environmental performance whose two of them are linked to "Supply Chain Management" : “strategic raw materials and supply channels” and “relations with suppliers”. (📖 See “2012 Reference Document” (page 92) and “2012 Environment report” (pages 12-13).)

2. Support of suppliers :

- **Socially Responsible Procurement** :
 - On November 7, 2012 the Group organized its first exhibition on Disabilities and Responsible Procurement as part of its approach to responsible decision-making in procurement. Presented by Group Managing Director Antonio Belloni and Group Human Resources Director Chantal Gaemperle, this exhibition showcased various organizations specializing in disability employment as well as the sponsorships run by Hennessy, Moët & Chandon, Guerlain, Louis Vuitton, Make Up For Ever and Parfums Christian Dior. The event was attended by about 170 managers from all Group companies.
 - In addition, services subcontracted to sheltered workshops totaled about 7.7 million euros in 2012, equivalent to the addition of more than 190 indirect jobs.
- **Local procurement** : Local sourcing is an important aspect of our relationship with suppliers. Louis Vuitton's service providers, who are encouraged to include environmental goals in their contracts, are selected as much as possible for their geographical proximity to the site in question. The workshop in Barbera, Spain, for example, has increased its local purchases by 50% and now buys its leather from six local tanneries located within a 60-km radius. The footwear manufacturer in Fiesso d'Artico, Italy, also buys most of its components and raw materials locally.
- **Partnerships and initiatives to raise awareness** :
 - Donna Karan operates a hotline and a confidential and anonymous website dedicated to employees who wish to report any breach of ethical conduct or failure to respect human rights. In China, the suppliers of Donna Karan are trained in the respect for human rights by independent companies.
 - As part of a circular economy, waste management is another major criterion in supplier relationships. Louis Vuitton and its suppliers share best practices with regard to material recovery. A number of different material recovery channels have been set up, such as the collection and recovery of waste from electrical and electronic equipment (WEEE) by APR2, a company created as part of France's “ESAT” initiative, which aims to help people with disabilities return to work. LVMH also has its own recycling platform, CEDRE (*Centre de Déconditionnement par le Recyclage*). In Italy, the shoe manufacturing unit in Fiesso d'Artico, like other leather goods workshops, collects and recycles offcuts of leather and plastic from local subcontractors.
 - In Poland, Belvedere is spearheading a long-term partnership program with its pure alcohol supplier that focuses on cereal cultivation and the distillation process. The work performed in June 2012

concerned alcohol analysis, eco-production and the implementation of the REACH regulation. In November, a seminar was held to raise awareness about quality challenges and CSR, and brought together sector producers and a panel of university experts.

- As a result of the tightening of the REACH regulation following the registration of new substances subject to authorization and the requirement to share information between users of substances and their suppliers, the Houses have been following up with their suppliers.
 - For example, Givenchy Couture has implemented a variety of training and information initiatives to facilitate the job of the operational managers and help suppliers and manufacturers better monitor product returns. It has also launched a program to test raw materials and verify their compliance.
 - For example, at the end of 2012 Loewe published its sustainable development program which was circulated internally and to key suppliers. At the end of 2012, Loewe created an e-learning module on sustainable development, available in Spanish, English, Japanese and Chinese. Also at the end of 2012, it published a bilingual Spanish-English brochure on its sustainable development program. Available online to customers, the brochure was distributed to employees throughout the world as well as to key suppliers. The brochure was appended with a document containing questions and answers as well as information about Loewe's policy on sourcing wildlife.
 - In Argentina, Bodegas Chandon has joined the “Clean Production” program supported by the Mendoza Environment Secretary and the Inter-American Development Bank (IADB). The program seeks 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.
- **2012 Societal Involvement :**
 - **Conservation Cotton Initiative Uganda (CCIU) :** As an example in the field of Community Engagement, in 2009, LVMH bought a 49% stake in Edun a pioneer in ethical fashion. LVMH provides essential support, investment and infrastructure to help Edun grow the business into a global fashion brand and support its vision to grow trade in Africa. 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 2012, Edun was 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.

Robust Human Rights Management Policies & Procedures

Criterion 3: 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, Guiding Principles on Human Rights) (BRE1 + ARE1)

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 2012 Reference Document (📖 "1.9. Compliance with international conventions", page 82) : « **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)

	International agreements supported	Commitments signed
Cross-cutting issues	« Universal Declaration of Human Rights »	« United Nations Global Compact » (2003)
	« OCDE Guidelines »	« Gordon Brown's Millenium Development Goals » (2007)
	« Kimberley Process »	▪ Watches & Jewelry business group of LVMH member of the RJC (Responsible Jewellery Council) since 2011
Environment	« Caring for Climate (voluntary and complementary action platform for UN Global Compact) »	▪ « Copenhagen Communique on Climate Change » launched at the initiative of the Prince of Wales and Cambridge University (June 2009)
	« CITES Conventions (on International Trade in Endangered Species) »	
	« Millennium Development Objectives »	
Social	« International Labour Organization conventions »	« Apprenticeship Charter » (June 2005)
		« Enterprise Charter for Equal Opportunity in Education » (December 2006)
		« Diversity Charter » (2007)
		« Charter for professional integration of disabled people » (November 13, 2009)
		« Women on the Board Pledge for Europe » (July 12, 2011)

• 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 Recruitment Code of Conduct**" 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".

	Policies	Reporting
Cross-cutting issues	« Supplier's Code of Conduct » (March 2008)	"Sustainable Development" in « Annual Report »
	« LVMH Code of Conduct » (May 2009)	« Reference Document » [§ Human Resources, § Environment, Charter of the Board of Directors...]
Environment	« Environnement Charter » (2001)	« Environmental Report »
Social	« LVMH Recrutement Code of Conduct » (2009)	« Social Responsibility Initiatives »

Integrated or stand-alone statement of policy expressing commitment to respect and support human rights approved at the most senior level of the company (BRE 1 + BRE5 + ARE 1 + ARE 5)

Statement of policy stipulating human rights expectations of personnel, business partners and other parties directly linked to operations, products or services (BRE 1)

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

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 "2012 Reference Document" page 224)

☑ Statement of policy publicly available and communicated internally and externally to all personnel, business partners and other relevant parties (BRE 1 + BRE 5 + ARE 1 + ARE 5)

The following statements and documents are publicly available on the LVMH website (<http://www.lvmh.com/investor-relations/documentation/governance-and-sri>) and on the intranet website ("LVMH Mind") launched in 2009 in order to better communicate internally the Group's commitment to responsible corporate citizenship.

- The ethical and good governance principles are included in the "LVMH Code of Conduct", which **has been distributed 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 4: The COP describes effective *management systems* to integrate the human rights principles :

☑ Process to ensure that internationally recognized human rights are respected

☑ On-going due diligence process that includes an assessment of actual and potential human rights impacts (BRE 2 + BRE 3 + ARE 2 + ARE 3)

1. 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 "2012 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.

2. Best practices for the year 2012 :

- **Supplier's commitment :** LVMH also requires that its suppliers adhere to the same guidelines imposed by regulatory requirements (for example in the field of consumer safety).
 - Moët & Chandon and Glenmorangie present a specifications document for signature to subcontractors. All the brands of Moët Hennessy establish a specifications document presented for signature to their subcontractors that addresses respect for the environment and fundamental labor law compliance, among other issues; every year, supplier audits are carried out to minimize the most significant risks.
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 - Moët Hennessy Diageo France signs ethical engagements with its sub-contractors.
- **Questionnaires and 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, which is based on international workplace norms included in the International Labor Organization (ILO) conventions: no child labor, working conditions, health and safety, 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 field training in the company of an SA 8000 auditor. A questionnaire on "environmental practices" is also included in the internal control standard. Louis Vuitton has an evaluation chart for its Leather Goods suppliers. The environmental portion of the SA 8000 standard has been included in supplier audits since the last quarter of 2012. A questionnaire is sent to window dressing suppliers to learn more about their standard of management.
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Luxury Working Group (SLWG). From 2013, compliance with these guidelines will be an integral part of the supplier assessment and approval process.

- The House will also be making public Loewe's Animal Sourcing Policy adopted at the end of 2012 and that will be distributed to stores and posted on Loewe's website as part of its sustainable development message. Donna Karan has developed a Vendor Code of Conduct designed to ensure respect for fundamental principles of labor law and targeting 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. Donna Karan has also introduced a Vendor Compliance Agreement, which plans for independent audits of suppliers to ensure that commitments have been observed. In order to encourage such practices and share its own expertise, Donna Karan organizes supplier training programs in partnership with Marc Jacobs. These training programs are run by expert third parties and mainly concern employee working hours, the greening of manufacturing facilities, improved corrective action plans, and updates on regulated substances.
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 - Hennessy has pursued a strategy of dialogue with all its dry solids suppliers and performed environmental audits since 2008. In 2012, in addition to on-site audits, it audited 24 packaging suppliers. Hennessy also conducts awareness campaigns about the REACH regulation with its purchasing, quality control and development departments.
 - For the Perfumes & Cosmetics business group, the jasmine sector is audited.
- **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. Between 2011 and September 2012, all the Watches & Jewelry Maisons gained RJC certification (Responsible Jewellery Council). This certification now includes Bulgari, Chaumet, Christian Dior Couture, Fred, Hublot, TAG Heuer (and the distribution subsidiaries in the United Kingdom, Japan and the United States), Zenith and the jewelry business of Louis Vuitton.

☑ 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.

1. Diversity and 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". 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, 150 Human Resources managers have completed this training.
 - Lastly, LVMH has also had discrimination tests performed since 2008, 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 strictly monitors the excellence of its recruitment practices.
 - In 2012, the Group and its companies adapt this training with its managers, and its scope is extended to include career management.
- **Gender equality** forms an integral part of the LVMH culture. The initiatives undertaken since 2009 to promote female access to senior executive posts have already produced results.
 - The Group has consistently increased the **number of women in the management boards** year after year, rising **from 28 % in 2010 to 36 % in 2012**. This comes as confirmation of the Group’s ambition to build diverse leadership teams that reflect its true economic and social profile. The Group’s gender equality policy sets a target of 40% for women on executive bodies by 2015.
 - Through its **EllesVMH program**, the Group aims to facilitate women’s access to positions of greater responsibility: access to management training, diversity considerations in the context of succession planning for key positions or in the recruitment of managers. In addition to a mentoring pilot project, a new one-year programme dedicated to coaching/mentoring was launched at the end of 2012.
 - The Group has also formed **networks of females** in the five largest countries in which it is present. The events organized by these networks brought together more than **350 women in 2012**. In terms of online communication, the EllesVMH community on the Group Voices intranet is now one of the largest company communities, with **700 members worldwide**.
 - On 8 March, **International Women's day**, LVMH and its companies organized various activities in several cities around the world, including Paris, New York, San Francisco and Basle, aiming to demonstrate the Group's commitment to gender equality and diversity. Round-table talks, networking campaigns, and other opportunities for sharing and discussion are organized under the umbrella of EllesVMH, which symbolizes LVMH gender equality efforts.
 - In Paris, Chantal Gaemperle, Group Director of Human Resources and Synergies, and Laurent Boillot, President of Guerlain, invited 30 female talents from within the Group to exchange ideas regarding the essential position of women in our organisations and on Guerlain's commitment in this area.
 - Initiatives and tools specific to each entity are put in place to reduce the salary gap between men and women within the same professional category. Studies and actions conducted at the brands in the field of professional equality mainly relate to pay, promotion to positions of greater responsibility, and the distribution of levels of individual performance. **The studies conducted in 2012 on the distribution of levels of individual performance evidenced an identical distribution for women and men.**
 - **Good practices :**
 - In 2012, all of the Group's companies made **corporate agreements or established action plans** regarding gender equality. In particular, measures were implemented in the areas of working conditions and career development and in order to improve the balance between private and working life. Veuve Clicquot, for example, is putting its agreement into practice by creating a booklet on measures that favour a balance between professional and family life and issuing vouchers for day care and tutoring. Several companies are also facilitating access to day care, including Sephora and Hublot.
 - At Louis Vuitton UK, all managers have already been trained in the legislation regarding discrimination.

- As for Bulgari, it has rolled out a global training course to prevent any risk of discrimination and to promote diversity among employees.
- In order to make their recruitment objective, Hennessy and Berluti use simulation-based recruitment methods, as does Veuve Clicquot, which also organizes monthly sessions for the recruitment of forklift operators/cellar workers and manual workers for production.
- Meanwhile, Céline uses assessment centres for the recruitment of its vendors.
- Finally, Moët & Chandon is defining a proactive diversity policy for its recruitment: two female cellar workers were hired in 2012, positions occupied exclusively by men until then. Make Up.
- For Ever makes a point of meeting young graduates from underprivileged areas within the Paris region, supporting the national gatherings of the association *Nos Quartiers ont des Talents* (Our neighbourhoods have talent).
- In the interest of parent–child relationships, Parfums Christian Dior has decided to increase the number of spots in day-care centres for employees' children, and is having a day-care centre built near its premises in Saint-Jean-de-Braye. Fendi, Glenmorangie, De Beers Diamond Jewellers and other LVMH companies around the world are offering flexible working hours for women returning from maternity leave. Louis Vuitton reserves this option for all young parents, whether mother or father, in Russia and the Ukraine. For women who return to work after maternity leave, Berluti and Louis Vuitton, among others, have put in place back-to-work interviews. In turn, Louis Vuitton Middle East has increased the length of maternity leave from 9 to 12 weeks. Céline pays for the entire parental leave plus three extra days.

2. Raising employee awareness about disabilities :

- LVMH is supported by a network of more than **30 disability correspondents in Group companies** through its **Mission Handicap initiative**. Awareness sessions are organized on a regular basis for these correspondents, addressing the various issues raised by disabilities. On February 10, 2012 the Group organized a conference involving more than 70 managers on the subject of disabilities and management. This initiative has continued in the form of a training program called *Le Manager et le Handicap*.
- The Group is particularly attentive to the need to ensure that employees who become disabled are able to continue working. Since 2007, LVMH has strengthened its commitment with regard to the employment of disabled persons, assisted in France by the **close relations formed with the AGEFIPH** [Association de gestion du fonds pour l'insertion professionnelle des personnes handicapées (Association for management of the fund for the professional integration of the disabled)]. As a result of these efforts, the level of employment of disabled persons has been rising steadily since 2007, reaching 4.1 % in France in 2012 (compared to 1.6 % in 2007). The Group continues to go the extra mile in order to keep employees who have become disabled while employed by LVMH, and it is developing relations with establishments staffed by disabled individuals who receive special assistance. This high level of involvement goes beyond French borders. In Brazil, for example, Moët Hennessy Latin America is pursuing its efforts to recruit disabled employees, and in Japan, Louis Vuitton employs more disabled employees than is required by law.

Number and % of Disabled persons :		2009	2010	2011	2012
France	<i>total headcount</i>	438	507	543	572
	<i>global employment rate</i>	3,21 %	3,57 %	3,72 %	4,1 %
Group	<i>total headcount</i>	671	775	824	928
	<i>global employment rate</i>	1%	1.1%	1.02%	0.97%

The share of disabled employees in the total workforce in France has largely increase over the period 2009-2012 from 3,20 to 4,1% (French AGEFIPH standards).

- In the area of recruitment, LVMH has developed a **methodology (“Handi-Talents”)** a method of recruitment based on professional-life scenarios for disabled applicants. These innovative recruitment sessions — which do not use the candidates' CVs — pay no heed to the applicants' résumés but instead seek to make the recruitment process objective and identify skills and competencies which are transferable into the professional sphere.

- On 10 February 2012, the Group organised a **conference bringing together more than 70 managers** to address the topic of disability and management, in the auditorium of its Paris headquarters. Since then, Guerlain, Moët Hennessy Diageo, Louis Vuitton, and others have been raising through a training course entitled *Le Manager et le Handicap* (Managers and disability).
- In 2012 the Group also took a particular interest in suppliers specializing in the employment of disabled persons. The Group promotes the **use of the companies in the "protected" sector**, which enable disabled people (who do not have sufficient independence to work within a company) to perform an activity in an adapted environment. The companies regularly call on these establishments.
 - On November 7, 2012 the Group organized its first exhibition on Disabilities and Responsible Procurement as part of its approach to responsible decision-making in procurement. This exhibition showcased various organizations specializing in disability employment as well as the sponsorships run by Hennessy, Moët & Chandon, Guerlain, Louis Vuitton, Make Up For Ever and Parfums Christian Dior. The event was attended by about 170 managers from all Group companies.
 - Thus Moët Hennessy Diageo chose "*Les Ateliers de Montguichet*" (The Montguichet workshops) as the new service provider for its floral decoration. Kenzo, Krug and Veuve Clicquot entrust the maintenance of their green areas to an ESAT (French establishment for the employment of disabled individuals through special assistance). Céline employs a company with disabled staff to process the job applications it declines.
 - In addition, services subcontracted to sheltered workshops totaled about 7.7 million euros in 2012, equivalent to the addition of more than 190 indirect jobs.
- **The integration of disabled persons :**
 - The accessibility of the premises is one of the conditions for the successful integration of disabled persons. Hennessy makes a constant effort to design the layout of its establishments accordingly and to facilitate access for those with reduced mobility, as do De Beers Diamond Jewellers, Glenmorangie, and Berluti, whose new head office is completely accessible to people with reduced mobility. Le Bon Marché designed its sales floors to facilitate access by disabled customers.
 - Digital accessibility is another challenge that the companies are overcoming: Louis Vuitton has made its intranet accessible and its workstations are designed to suit the capacities of each worker.
 - Group companies — like Moët & Chandon in Reims, Hennessy in Angoulême, and Parfums Christian Dior in Orléans — are participating in local job forums dedicated to disabled people.
 - Work placements are a good way to facilitate the professional integration of disabled people. LVMH was elected President of ARPEJEH, an association it co-founded that helps young students pursue courses of study. Louis Vuitton, Berluti, Céline, LVMH Fragrance Brands, Make Up For Ever, La Grande Epicerie and Sephora regularly host disabled placement students.
- **The raising of awareness and the training of employees** plays an essential role in the employment of disabled persons.
 - The specially designed facilities at Moët & Chandon, Parfums Christian Dior and Guerlain allow staff members with medical limitations to continue to work in their jobs under appropriate conditions.
 - A forerunner in this area, Moët & Chandon founded MHEA in March 2011, a company offering facilities adapted for disabled employees. A fully autonomous entity, MHEA maintains a disabled employment rate of at least 80% and provides the best possible working conditions for employees affected by disabilities, without any change in the terms of their compensation. More than 80% of the staff employed at MHEA have a disability and work in appropriately adapted conditions.
 - LVMH companies also raise employee awareness through their close relations with establishments hosting disabled people. Some have organized visits : Moët & Chandon takes employees to *Les ateliers de la vallée* (The Valley Workshops), an establishment near Épernay where disabled individuals can exercise a professional activity with assistance; Louis Vuitton Asia Pacific takes staff to the rehabilitation centre for the blind in Macao, linked to Singapore's association for the visually impaired; and Bulgari works with the Il Porto di Coenzo institute for social integration. Following the hiring of a hearing-impaired person, Hublot trained its employees in sign language, with the help of the Swiss federation for the deaf. Hennessy runs the *Assemblons nos différences* (Let's pool our

differences) training courses for its managerial staff. The Les Echos Group raised awareness among more than 60 employees in 2012. Louis Vuitton also runs accessible and adapted training courses aimed at developing the skills of disabled workers. Several companies took action during the *Semaine pour l'emploi des personnes handicapées* (Week for the employment of the disabled). The marketing and communication teams at Moët & Chandon hosted disabled jobseekers for a day, introducing them to the various occupations of company employees while the HR teams participated in a recruitment forum. Each Louis Vuitton store has also worked to increase awareness among its employees. Veuve Clicquot, in partnership with the AGEFIPH, organized a one-day event on the topic of the retention of employees on 13 November. Moët Hennessy Diageo launched its campaign with a dedicated intranet page, an e-newsletter, and breakfast with the President and Christian Sanchez, the LVMH Social Development Director, and it also organized a quiz for all employees.

- In keeping with its international commitments, LVMH is extending the scope of its policy for the employment of disabled people across national borders. In London, the LVMH House and the Down's Syndrome Association (DSA) organized an event to promote the social and professional integration of people with Down's syndrome (or trisomy 21).
- In Spain, Loewe financed the training of 300 mentally disabled people to increase their employability and assisted fourteen mentally disabled mothers with the care of their children. The company also sponsors a group comprising sixteen mentally disabled artists participating in a weekly training course run by the Madrid School of Art. Some of their painting are exhibited at Barajas Airport in Madrid and will decorate the new Loewe factory in Getafe.

3. Senior employees and intergenerational synergie :

- Worldwide, 12.4% of the LVMH group's active workforce are over the age of 50. In France, this population accounts for 20.3% of employees.
- Job access and the employability of senior employees gives rise to several campaigns run by the Group companies. Led by the Group's Human Resources division, **working groups** are endeavouring to implement a global approach to the management and development of senior employees. The companies within the Group have adapted this policy to their unique situations. Among the various strategies retained, **80 % of the LVMH companies made quantified commitments on end-of-career measures and 70 % targeted improvement of employment conditions.**
- In France, since 2011, 30 actions plans and 12 collective agreements have been implemented to promote the recruitment, employment and career development of staff over the age of 50. In 2012, action plans and collective agreements have been implemented to promote the recruitment, employment and career development of staff aged over 50 years old.
 - At Louis Vuitton, for example, all senior employees undertake at least one training course per year. Céline and Guerlain developed "Senior-Junior" tutoring schemes to ensure transmission of their unique expertise.
 - The LVMH Fragrance Brands entity regularly adapts work stations for older users. Every three years, an ergonomists looks into the matter. Studying the work station has been defined as a priority in the "arduous working conditions" action plan.
 - Berluti implemented the tutoring scheme for the transmission of shoe-making expertise, hosting two to three apprentices at its Parisian workshop each year.
 - In order to keep traditions alive, Veuve Clicquot produced a film on the work and expertise of its wine merchants.
- Human resources managers from all of the companies have been **trained in conducting mid-career interviews**, following a programme established by the Group HR division. These interviews have taken place in all of the companies in order to better manage the careers of senior employees and systematically offer employees over 50 years an adapted professional assessment.
 - For Moët & Chandon, for example, this represents 115 **interviews for employees** in the latter stages of their careers.

- Louis Vuitton, Le Bon Marché and Parfums Christian Dior have all **held informational meetings** on retirement targeted at senior employees.
- Other measures in promotion of the employment of seniors have been taken in several companies within the Group. Moët & Chandon, Parfums Christian Dior, LVMH Fragrance Brands, Guerlain and Le Bon Marché have signed **Jobs and Skills Management Planning agreements** with their trade unions, structuring and developing the career prospects of senior employees. This notably involves special measures for the adjustment of work schedules. LVMH Fragrance Brands renewed its Jobs and Skills Management agreement on 3 February 2012. The agreement has a variety of systems in place for professional development within the various factory occupational segments, including skills assessments for impacted professions to facilitate the redeployment of senior employees. The company regularly adapts workstations for older users. Every three years, an ergonomist reviews the matter, and attention to work station design has been defined as a priority in the action plan addressing strenuous working conditions.

4. Raising awareness on Psychosocial Risks :

The Group makes every effort to prevent and deal with phenomena such as harassment and stress in the workplace. [📖 See also “☑ Internal awareness-raising and training on the labour principles for management and employees” in Criterion n° 7]

• Psychosocial Risks :

- Over the course of 2012, LVMH continued taking action to prevent psychosocial distress through risk assessment and gauging (Moët & Chandon), steering committees, **training and awareness raising** (Donna Karan and Sephora US offer their employees two hours of online training on harassment, diversity and attentive communication), support units (Hennessy, Parfums Christian Dior, Veuve Clicquot, Loewe, Guerlain, Sephora Inc., etc.), work organization reviews, work-life balance adjustments, organizational overhauls, and harassment prevention. (📖 See best practices in "2012 Reference Document" page 78.)
- Moët & Chandon, Le Bon Marché and Sephora have signed agreements to prevent psychosocial risks which in some cases provide for some of them the creation of a dedicated Observatory, in which the Occupational Medicine unit and the Committee on Health, Safety and Working Conditions are both involved.
- By way of example, in collaboration with IFAS (Institut Français d'Action sur le Stress) and OMSAD (*Observatoire Médical du Stress de l'Anxiété et de la Dépression*), since several years Hennessy introduced a procedure that aims to measure the overall level of excess stress in the company and to involve the entire workforce in the identification of sectors and populations most prone to stress so as to implement preventive actions.
- Various companies are mobilised to prevent psychosocial risks. Berluti, Chaumet and Le Bon Marché have all three implemented action plans to this end. Moët & Chandon, Guerlain and Sephora have signed agreements. Donna Karan and Sephora US offer their employees two hours of online training on harassment, diversity and attentive communication. Fendi has started talks with its staff representatives in Italy on the prevention of psychosocial risks and harassment at work.
- Louis Vuitton implements the *Plan d'Amélioration des Conditions de Travail* (Plan for the improvement of working conditions) in its workshops in order to identify positions characterized by strenuous working conditions and to undertake corrective measures. Following ergonomic assessments of every production station, investments have been made in the purchase of adequate equipment (ergonomic chairs and work platforms). In the stores, work has been carried out following a study into the design of stock rooms. Managers take **a training course to identify and anticipate psychosocial risks**.
- The various companies are particularly attentive to stressful situations that their employees might encounter. Moët Hennessy Diageo has launched a **working group on stress-related** issues and quality of life at work, following its latest employee survey on work conditions. LVMH Fragrance Brands is following a similar approach after a **survey** on psychosocial risks and the keys to well-being at work. In the same spirit, Moët & Chandon has the stress levels of its employees assessed as

part of their medical examinations. The company has also put in place an **alert procedure for identified emergency cases**. As a preventative measure, Louis Vuitton **trains its managers** in the prevention of psychosocial risks.

- In the respect of “**Children’s Rights and Business Principles**” LVMH gives the opportunity **to young people to develop a professional experience**. As a signatory of the “Apprenticeship Charter”, the Group devotes considerable efforts to the development of apprenticeship opportunities, which facilitate young people’s access to qualifications. In 2012, more than 700 employees were able to take advantage of work-study arrangements in France. The majority of those offered a professionalization contract have found stable employment afterwards. As of December 31, 2012, there were 860 young people working under apprenticeship or professionalization contracts in all of the Group’s French companies.

☑ Operational-level grievance mechanisms for those potentially impacted by the company’s activities (BRE 4 +ARE 4) :

- 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.

☑ Process and programs in place to support human rights through : core business; strategic philanthropic/social investment; public policy engagement/advocacy; partnerships and/or other forms of collective action (BRE 6 + ARE 6)

📖 See Criteria n° 16, 17 and 18.

Criterion 5: The COP describes effective *monitoring and evaluation mechanisms* of human rights integration :

☑ System to monitor the effectiveness of human rights policies and implementation with quantitative and qualitative metrics, including in the supply chain (BRE3 + ARE3)

Social and environmental audits : 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. The Supplier Code of Conduct also sets forth the principle and procedures for the control and audit of compliance with these guidelines. In 2012, over 650 social and/or environmental audits were carried out, nearly 80% of which by specialized external service providers, at 546 of our suppliers. Among these audits, 526 related exclusively to social criteria.

- More than one-third of these audits showed results in line with our standards and 40% 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 20% and 2% of audits performed, respectively. In all, 141 corrective action plans were implemented at our suppliers where audits had identified areas in need of improvement.
- The increasing use of preliminary audits (81 performed in 2012) 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. By way of example, Louis Vuitton decided not to collaborate with one of its potential suppliers following the result of a pre-audit which proved unsatisfactory.📖 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.* »

Suppliers and audits break down as follows, by region :

	Europe	Asia	North America	Africa	Other
Breakdown of suppliers (as %)	65	20	12	-	3
Breakdown of audits ^(a) (as %)	27	63	5	2	3

[a] Of which 12% preliminary audits, 37% initial audits, and 51% follow-up audits.

Scope: Wines & Spirits, Louis Vuitton, Berluti, Donna Karan, Fendi, Givenchy, Kenzo, Loewe, Marc Jacobs, Bulgari, Chaumet, Montres Dior, Fred, Hublot, TAG Heuer, Zenith, Acqua di Parma, Perfumes & Cosmetics, DFS, Sephora.

📖 See "1.8.1. Relations with suppliers" in "2012 Reference Document" (pp. 79-80).

📖 See "Responsible Partnerships" in "2012 Annual Report" (p. 120 of PDF version).

☑ **Monitoring drawn 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 "2.4. Risk management and internal control stakeholders" in "2012 Reference Document", pages 109-110.)

☑ **Process to deal with incidents the company has caused or contributed to for internal and external stakeholders (BRE 4 + ARE 4) :**

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 "2012 Reference Document" page 106).


☑ **Outcomes of integration of the human rights principles :**

No incidents to report.

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 See "1.8.1. Relations with suppliers" in "2012 Reference Document" (pp. 79-80).

 See "Responsible Partnerships" in "2012 Annual Report" (p. 120).

Robust Labour Management Policies & Procedures

Criterion 6: The COP describes robust *commitments, strategies or policies* in the area of labour :

☑ Reference to principles of relevant international labour standards (ILO Conventions) and other normative international instruments in company policies :

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

- This strong commitment is written in the “2012 Reference Document” (☐ "1.9. Compliance with international conventions", p. 82) : « *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" (☐ p. 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 :

- **Specific analysis aims to identify the main social issues in the field of CSR :**
 - Human Capital Management : training & development, compensation policies, expectations from our employees (e.g. stress management, new services at work, compensation policy,...),...
 - Non discrimination and human rights : diversity & equal opportunity, responsible management of supply chain,...
 - Internal strategic development : employment dynamics, age pyramid and aging workforce, retention of know-how and shortage of skilled Human Capital,...
 - 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,...),...
- **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. A dedicated Intranet site, “LVMH Talents”, which is for the use of Group Human Resources.
 - 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. This review provides forward-looking insights into the most critical positions and succession plans. 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. (📖 See “2012 Reference Document” pp. 76-77.)

- **Corporate Social Responsibility Initiatives** : Since 2012 (for the year 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 "Social Responsibility Initiatives 2012", 32 pages).

☑ Written company policy to obey national labour law, respect principles of the relevant international labour standards in company operations worldwide, and engage in dialogue with representative organization of the workers (international, sectoral, national).

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.

	Policies	Reporting
Cross-cutting issues	« Supplier's Code of Conduct » (March 2008)	"Sustainable Development" in « Annual Report »
	« LVMH Code of Conduct » (May 2009)	« Reference Document » [§ Human Resources, § Environment, Charter of the Board of Directors...]
Environment	« Environnement Charter » (2001)	« Environmental Report »
Social	« LVMH Recrutement Code of Conduct » (2009)	« Social Responsibility Initiatives »

- Generating even greater synergies between the Maisons, the LVMH ecosystem was set up in 2012 to provide a new, highly collaborative approach, with the creation of a global HR community on the **Group intranet, "Voices"**. Over 1,100 HR employees are now signed up to this site and can communicate freely, sharing experience and best practices, and accessing a shared database which is essential to their work.

☑ Inclusion of reference to the principles contained in the relevant international labour standards in contracts with suppliers and other relevant business partners

The successful upstream integration of relationships with suppliers is based on a three-pronged approach : awareness, regulation (whose ISO 14001) and audit. 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 :

- **Supplier's commitment** : LVMH also requires that its suppliers adhere to the same guidelines imposed by regulatory requirements (for example in the field of consumer safety).
 - Moët & Chandon and Glenmorangie present a specifications document for signature to subcontractors. All the brands of Moët Hennessy establish a specifications document presented for signature to their subcontractors that addresses respect for the environment and fundamental labor law compliance, among other issues; every year, supplier audits are carried out to minimize the most significant risks.
 - 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.
 - 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.
 - Moët Hennessy Diageo France signs ethical engagements with its sub-contractors.

- **Questionnaires and 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, which is based on international workplace norms included in the International Labor Organization (ILO) conventions: no child labor, working conditions, health and safety, 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 field training in the company of an SA 8000 auditor. A questionnaire on "environmental practices" is also included in the internal control standard. Louis Vuitton has an evaluation chart for its Leather Goods suppliers. The environmental portion of the SA 8000 standard has been included in supplier audits since the last quarter of 2012. A questionnaire is sent to window dressing suppliers to learn more about their standard of management.
- 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. Loewe requires its suppliers to have ISO9001/14011/OSHAS 18000 certification. In 2012, Loewe has developed a new supplier assessment and approval process to extend the validity and quality of the standard criteria taken into account when selecting a supplier. More specifically, suppliers of exotic leathers and furs are sent the Animal Sourcing Principles code of conduct, which was developed and adopted in February 2011 by the founding members of the BSR Sustainable Luxury Working Group (SLWG). From 2013, compliance with these guidelines will be an integral part of the supplier assessment and approval process.
- The House will also be making public Loewe's Animal Sourcing Policy adopted at the end of 2012 and that will be distributed to stores and posted on Loewe's website as part of its sustainable development message. Donna Karan has developed a Vendor Code of Conduct designed to ensure respect for fundamental principles of labor law and targeting 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. Donna Karan has also introduced a Vendor Compliance Agreement, which plans for independent audits of suppliers to ensure that commitments have been observed. In order to encourage such practices and share its own expertise, Donna Karan organizes supplier training programs in partnership with Marc Jacobs. These training programs are run by expert third parties and mainly concern employee working hours, the greening of manufacturing facilities, improved corrective action plans, and updates on regulated substances.
- 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.
- 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 (since 2009, Guerlain conducted 120 Ethic and Social audits), 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.
- Belvedere audits its suppliers' dry solids and pure alcohol as part of its safety and environment control process. Suppliers have made a number of improvements, such as installing a new pure alcohol distillery boiler, replacing coal, and reducing fuel consumption by 40%.
- Hennessy has pursued a strategy of dialogue with all its dry solids suppliers and performed environmental audits since 2008. In 2012, in addition to on-site audits, it audited 24 packaging suppliers. Hennessy also conducts awareness campaigns about the REACH regulation with its purchasing, quality control and development departments.
- For the Perfumes & Cosmetics business group, the jasmine sector is audited.

Criterion 7: 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 2012 Reference Document pages 37-39.

📖 See "2. Implementation of risk management and internal control procedures" in 2012 Reference Document pages 104-111.

• LVMH 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.

• 📖 Concerning the risks linked to labour issues see “Internal awareness-raising and training on human rights for management and employees” in Criterion n° 4.

☑ Dialogue mechanism with trade unions to regularly discuss and review company progress in addressing labour standards :

The Group Committee is a product of LVMH's mandatory representation policy which was agreed upon in 1987. It involves all of LVMH's French subsidiaries and meets at least once a year. The Group Committee considers reports on the group's activity, financial situation, and economic outlook for the coming year. It also reviews information about group-level accounts and consolidated balance sheets. The 28 members of the committee are selected by the works councils of their respective companies for four year terms. The members select a Secretary from among their number. The Committee President, LVMH Social Development Director, a labour law expert, and an accounting expert are also present.

☑ Allocation of responsibilities and accountability within the organization :

- 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**.
 - Generating even greater synergies between the Maisons, the LVMH ecosystem was set up in 2012 to provide a new, highly collaborative approach, with the creation of a global HR community on the **Group intranet, "Voices"**. Over 1,100 HR employees are now signed up to this site and can communicate freely, sharing experience and best practices, and accessing a shared database which is essential to their work.
- **Working groups :**
 - Working groups and **Annual Supply Chain Meeting** comprising experts from various Group Houses presented, as they have in 2012, a review of their accomplishments and progress made during an annual meeting that provides an opportunity to exchange best practices, to implement shared tools and reference guides, and to identify new areas meriting attention.
 - In 2010, this work resulted in the creation of a **shared supplier database for the Perfumes and Cosmetics business group** and the establishment of a common reference guide for supplier assessment. This reference guide will facilitate exchanges between the various Group companies and follow-ups on social and environmental audits, their findings, and any action plans put in place.
 - In 2012, the Group's Purchasing Department provided all Houses with a **decision-making tool** for social and environmental supplier audits and set up a **database** to share the results of these audits.
 - 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.
- 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 106-107 of the 2012 Reference document).

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

LVMH and its companies, proud of the wealth of expertise of their craftsmen, are concentrating on offering employment conditions that enable each person to express their talent and art. LVMH companies are raising employee awareness and taking various steps to promote well-being at the workplace, improving work environments, addressing strenuous working conditions, preventing and treating psychosocial problems, and educating employees on health and occupational safety issues.

1. Non-discrimination and Psychosocial Risks :

[☑ See “☑ Internal awareness-raising and training on human rights for management and employees” in Criterion n° 4]

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.

2. Health & Safety :

[☑ See various good practices in "1.6. Health and safety" of "2012 Reference Document", page 78)

- The Group makes every effort to prevent and deal with Health & Safety in the workplace.
 - LVMH invested over 19.4 million euros in health and safety in 2012. This includes expenses for occupational medical services, protective equipment as well as programs for improving personal safety and health, such as compliance, the posting of warnings, replacement of protective devices, fire prevention training and noise reduction.
 - The total amount of expenditure and investments promoting health and safety in the workplace and improvements in working conditions amounted to almost 57.6 million euros, representing 1.7% of the Group's gross payroll worldwide.
 - More than 27,600 Group company employees received safety training worldwide. (☑ See best practices in "2012 Reference Document" pp. 78-79.)
 - In 2012, almost all of the Houses, in all of the Group's business groups, continued their employee training and awareness programs on environment. These programs comprised 17,766 hours, a 14% increase compared to 2011 (15,602 hours).
- **Confort and design** : The production and manufacturing sites are equipped so as to protect the employees from physical constraints as much as is possible.
 - Another example: Moët & Chandon has performed acoustic and vibration diagnostics in all of its workshops. Hennessy has continued investing in the improvement of its premises, issuing its guidelines for office design — addressing ergonomics, layout, lighting and well-being — and producing a manual on **ergonomic methodology** for the production site. Fendi has conducted risk analysis relating to noise, chemicals and vibrations, prior to investing in noise reduction systems at its production sites.
 - Berluti has renovated its workshops as well as its manual workstations for colourists, pattern specialists, and shoemakers. Hublot has equipped watchmakers suffering from back problems with **ergonomic** workbenches. For its part, Loewe has adapted the workstations at its manufacturing site to meet the ergonomic needs of each person. Guerlain has implemented several ergonomic design initiatives at its Chartres and Orphin sites : ergonomics specialists have been trained, equipment has been adapted and a specific production line has been created for those with medical restrictions. Make Up For Ever reorganized its Gennevilliers manufacturing and packaging site during expansion work (installing new air conditioning and ventilation systems and constructing a laundry facility).
 - Several companies are also reconsidering the design of their workstations in the administrative and sales departments. Sephora US has **optimised the lighting and ergonomic design of its stores**. Moët Hennessy Latin America Argentina has taken advantage of the reorganisation of its new Barrio

Parque headquarters in Buenos Aires to work on the ergonomic design of each workstation. In order to prevent visual stress, De Beers Diamond Jewellers has installed additional large screens for its laptops. Ever interested in increasing comfort, Moët & Chandon has developed office design guidelines which address ergonomics, layout, lighting, and well-being. The design of the new Berluti head office integrates the results of an ergonomic study of workstations there, considering posture, acoustics, and lighting. Upon arriving at its new premises, Bulgari Asia Pacific Ltd (Bulgari Hong Kong) separated and isolated the aftersales service centre. The polishing room offers increased comfort and safety for all employees. It is equipped with improved ventilation to enable the extraction of dust and particles. The technicians have adjustable chairs that can be adjusted to suit their workbenches. At the same time, office employees have been provided with larger computer screens.

• **Raising awareness on Working Conditions and Health & Safety** : The avoidance of strenuous working conditions is the crux of LVMH's health at work campaign, and the preservation of employee health is a constant concern for all of its companies.

- At Glenmorangie, for example, the company is implementing a **continual improvement process**. Glenmorangie is developing its own Health and Safety culture around its **zero accident approach**. This objective was achieved in 2012 as the company did not record a single case of leave due to an accident, and it continues to work on reducing the occurrence of all identifiable incidents.
- In 2012, almost 800 received **safety training** at Moët & Chandon and 250 received **training in health and safety** indicators at Hennessy, as part of its 5S policy (Japanese management technique aiming towards the continual improvement of tasks performed within companies). In this spirit, Wenjun offers its employees advanced **training** dedicated to health and safety at the workstation, with a particular effort made regarding production. 20 sessions took place in 2012.
- In New Zealand and Australia, Moët Hennessy Asia Pacific has trained all of its teams in workplace health and safety.
- The Health and Safety initiatives undertaken by Group companies such as Louis Vuitton, Parfums Christian Dior, and Moët & Chandon are highly structured and ambitious. In Russia and the Ukraine, Louis Vuitton has trained employees in its stores and at its head office in workplace safety. Furthermore, all new employees are given basic first aid training. Louis Vuitton has launched a **health at work campaign** in its workshops. The company is also developing a partnership with the occupational doctor for Parisian stores (campaign launches and ongoing visits). For example, the Louis Vuitton workshops utilize the "PACT", a work conditions improvement plan, to identify uncomfortable workstations at company premises and institute appropriate responses.
- Companies including Bulgari, Donna Karan, and Loewe manage these initiatives via health and safety committees and working groups. Programs are designed to help employees manage the work-life balance (day-care at Hublot, concierge services at Berluti) and increase their job satisfaction (sales employee training at Céline). Special efforts have also been made to improve workstation ergonomics at companies such as Louis Vuitton, Bulgari, Fendi, Chaumet, etc. Fendi has trained all of its employees in health and safety.
- Parfums Christian Dior has committed to a process to improve the quality of life in the workplace and prevent psychosocial risks, involving in particular the creation of a manager-level position responsible for risk prevention and occupational health.
- Alongside daily prevention, Guerlain has signed an **agreement on well-being and quality of life at work**, which focuses on the topics of strenuous working conditions, psychosocial risks and actions to be implemented to foster a balance between work and personal life. Other innovative initiatives have been taken, in collaboration with occupational health services staff : for example, holistic massages for production staff at Guerlain's sites and in Céline's workshops during the stressful periods when runway shows are being prepared.
- In China, training regarding the management of stress and difficult situations with customers has been offered to all new store employees.
- At Sephora, a pre-audit targeting strenuous working conditions has been established in stores. LVMH Fragrance Brands analyzed every position within the company and then deployed a plan for the reduction of strenuous working conditions. To prevent musculoskeletal disorders (MSDs),

LVMH Fragrance Brands provides movement and posture training, involving recovery techniques. Sephora does the same for its store vendors. Le Bon Marché is pursuing its training programme on the prevention of risks associated with physical activity. La Grande Epicerie and Franck et Fils are likewise continuing with their movement and posture courses. At Loewe, all new employees are trained in health and safety and are informed of the specific risks associated with their workstations. Information campaigns on the prevention of professional risks are run on a regular basis.

- In addition, the wines and spirits companies have considerably raised employee awareness regarding responsible consumption (particular focus was placed on road safety for those in charge of sales). Workstations at vineyards, workshops and production sites are regularly assessed in terms of ergonomics and working conditions. For five years, Veuve Clicquot has run a working group on how best to handle the physical strain encountered by certain agricultural laborers. Veuve Clicquot is implementing a **programme to avoid strenuous working conditions** in its vineyard. A dedicated work group was created in 2006. Its role is to overcome the difficulty of certain viticultural tasks and to improve employee work conditions. It is composed of nine people: the winemakers, contracted and temporary tractor drivers, supervisor, labour relations manager, a vineyard maintenance and security manager, a professional risk prevention advisor and the director of the vineyard.
- Finally, news in recent years has shed light on the large number of risks of all kinds (natural, climatic, health related, political, or other) that currently affect expatriated employees or those that travel for business. LVMH has decided to supplement the existing system, which is oriented towards medical assistance and repatriation. In terms of prevention, employees that have reserved flights and hotels in at-risk countries, through authorised travel agencies, always receive an information sheet and advice regarding the health and safety precautions to be taken. In the event of a serious incident of any nature while in the field, they can be located very quickly in order to receive appropriate care. To this end, LVMH is affiliated with an international organization that has a network and significant means by which it can intervene in any crisis situation throughout the world. Furthermore, every staff member in the field has a unique telephone number to call in the event of a personal problem, whatever the cause or level of severity. This immediately activates a warning network adapted to the circumstances at hand to provide assistance to the employee in need. This system of crisis management (individual or collective) has proven its effectiveness in recent years, enabling us to overcome various, often totally unforeseeable, situations.

3. Quality of work-life : Respect for the individual demands consideration of a set of individual factors concerning including physical well-being, the balance between work and personal life, family environment, and other elements. The companies within the LVMH Group have long understood this, offering their employees quality working conditions.

- At its Parisian site, Parfums Christian Dior has opened a **corporate concierge service**. The same applies at Berluti, which has also planned **relaxation spaces** — with sofas, armchairs, a television, a library, and a kitchen — at its new head office. Employees are provided with a service for the delivery of fresh produce (fresh fruit, bread, beverages, etc.). Similarly, the employees of Guerlain can request the delivery of baskets of organic fruit or vegetables, delivered on-site each week.
- Guerlain and Bulgari are among the first companies in the Group to have established a **telecommuting system**.
- Fendi has signed an **agreement to adapt work schedules** in stores and to organise overtime work. In Japan, Louis Vuitton is also very attentive to working hours, shutting off the electricity in its offices at a certain time to encourage employees to leave the office. In the UK, it has set up a working group to study conditions at work and how to strike a balance between private and professional life. Louis Vuitton Middle East has even decided to reduce working hours from 48 to 44 hours a week.
- The company restaurant at the manufacturing site of Parfums Christian Dior in Saint-Jean-de-Braye has undergone **technical and functional renovation work**. It integrates the aesthetic codes of Dior and now offers employees the same ambience enjoyed by their colleagues in the 8th arrondissement of Paris. Le Bon Marché has renovated its living areas, including the company restaurant and the break rooms, to make them more pleasant. A focus on well-being has also led Hennessy to pursue implementation of cap 10, a project

dedicated to establishing a calm work environment and piloted by working groups. It is experimenting with classes on relaxation therapy for staff, among other measures.

- In Saint-Jean de Braye, at Parfums Christian Dior, **relaxation staff offer soothing massages**. Once a month, Guerlain offers massages at its site in Chartres, as well as a morning muscle wake-up session with a sports coach, compulsory if you take on a position at its production site. The success of this experience has spread to the head office, with yoga courses and sports coaching. Céline has also opted for relaxation, organising a massage area for the workshop and studio during the preparation for the fashion shows, a particularly intense period. As a final example, Louis Vuitton offers yoga classes for its employees in New York.

4. Information and Communication :

The LVMH Group is convinced that internal communication — listening, sharing, and dialogue — promotes cohesion and efficiency and fosters commitment. This is why the companies make sure, through direct and responsible communication, that the expectations and needs of individuals are being heard.

- **Listening to employees opinion surveys :**

- Moët Hennessy Diageo France, together with the wines and spirits companies (Veuve Clicquot, Krug, Hennessy, Moët Hennessy Latin America Argentina, Moët Hennessy Asia Pacific, etc.), launched a **major satisfaction survey** among its employees in May 2012. An astounding 93 % participated. The results were distributed to all staff members. Following this survey, **six workshops** were put in place to follow up on the recommendations. In 2011, Glenmorangie, which had already conducted a similar study, was **awarded the Investor in People silver trophy**. Moët Hennessy Latin America Argentina has also provided employees with an **ideas box** in order to gather suggestions for improvement regarding new facilities.
- Louis Vuitton was the first company in the Group to conduct the *À votre écoute (We listen)* survey — in 50 countries in 2011 — and it is now overseeing implementation of the resulting action plans in its workshops and stores. In 2012, Loewe put together its own **Loewe Listens survey** to gauge the satisfaction and commitment of employees at headquarters and at the logistics centre. It has since been extended to include all employees on every site. De Beers Diamond Jewellers also conducted a **survey among the employees at its head offices**. This was followed by staff meetings to communicate the results, and has since led to approved action plans. Finally, Sephora US carries out a work environment survey in its stores once a year.

- **For inclusive communication :**

- LVMH companies want to ensure that communication is accessible to all. Thus, in order to integrate specific cultural and linguistic aspects successfully, internal communication media at Louis Vuitton Switzerland are **translated into three languages**. A further example can be found at Parfums Christian Dior, which displays **internal information** on screens set up in all workshops of its production site. Moët Hennessy Asia Pacific has launched the **e-spirit site**, an intranet accessible to all personnel.
- Communication also takes place through **direct meetings** between corporate players who may work together without ever crossing paths. Illustration : Each month, Moët & Chandon organizes "the President's lunches", while Glenmorangie holds forums every four months where employees and the management teams of the various establishments can share ideas on subjects of mutual interest. In its workshops, Louis Vuitton organises lunch meetings between the leather workers and support services, special opportunities for exchange between the members of the management committee and other company employees.

- **A communicated effort :** LVMH uses the “**LVMH Mind intranet**” site to raise employee awareness about Group CSR policy, providing them with related information. It provides all employees with the codes of conduct, internal rules and shared information regarding best practice. Each company then relays the policy using its own tools.

- Loewe, for example, distributes a **booklet**, *The Loewe Sustainability Programme*, to all of its employees and provides a dedicated email address for employees to leave suggestions and comments.
- De Beers Diamond Jewellers formalises its policy in a booklet, addressing the issues of harassment, equality of opportunity and disability.
- Veuve Clicquot communicates its actions in its in-house magazine *Assemblage*.
- Throughout the course of the sustainable development week, Make Up For Ever communicated extensively on the topic of social responsibility.
- At Berluti, the company's social responsibility approach is presented during the orientation seminar.
- Louis Vuitton communicates on the topic of social responsibility via its intranet. Furthermore, Louis Vuitton Japan has appointed **10 CSR ambassadors** (one for the office and nine for the stores) responsible both for producing content for the intranet and the in-house magazine and for suggesting and participating in regional campaigns.

☑ Grievance mechanisms, communication channels and other procedures (e.g., whistleblower mechanisms) available for workers to report concerns, make suggestions or seek advice, designed and operated in agreement with the representative organization of workers :

- 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).
- As an example, Moët & Chandon has the stress levels of its employees assessed as part of their medical examinations. The company has also put in place an **alert procedure for identified emergency cases**.
- **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 8: 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 106-107 of the “2012 Reference document”).


☑ Dialogues with the representative organization of workers to regularly review progress made and jointly identify priorities for the future :

The Group Committee is a product of LVMH's mandatory representation policy which was agreed upon in 1987. It involves all of LVMH's French subsidiaries and meets at least once a year. The Group Committee considers reports on the group's activity, financial situation, and economic outlook for the coming year. It also reviews information about group-level accounts and consolidated balance sheets. The 28 members of the committee are selected by the works councils of their respective companies for four year terms. The members select a Secretary from among their number. The Committee President, LVMH Social Development Director, a labour law expert, and an accounting expert are also present.

☑ Audits or other steps to monitor and improve the working conditions of companies in the supply chain, in line with principles of international labour standards :

1. Social and environmental audits :

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. The Supplier Code of Conduct also sets forth the principle and procedures for the control and audit of compliance with these guidelines. In 2012, over 650 social and/or environmental audits were carried out, nearly 80% of which by specialized external service providers, at 546 of our suppliers. Among these audits, 526 related exclusively to social criteria.


- More than one-third of these audits showed results in line with our standards and 40% 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 20% and 2% of audits performed, respectively. In all, 141 corrective action plans were implemented at our suppliers where audits had identified areas in need of improvement.
- The increasing use of preliminary audits (81 performed in 2012) 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. By way of example, Louis Vuitton decided not to collaborate with one of its potential suppliers following the result of a pre-audit which proved unsatisfactory.  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.* »


Suppliers and audits break down as follows, by region :

	Europe	Asia	North America	Africa	Other
Breakdown of suppliers (as %)	65	20	12	-	3
Breakdown of audits ^(a) (as %)	27	63	5	2	3

(a) Of which 12% preliminary audits, 37% initial audits, and 51% follow-up audits.

Scope: Wines & Spirits, Louis Vuitton, Bertuti, Donna Karan, Fendi, Givenchy, Kenzo, Loewe, Marc Jacobs, Bulgari, Chaumet, Montres Dior, Fred, Hublot, TAG Heuer, Zenith, Acqua di Parma, Perfumes & Cosmetics, DFS, Sephora.

 See "1.8.1. Relations with suppliers" in "2012 Reference Document" (pp. 79-80).

 See "Responsible Partnerships" in "2012 Annual Report" (p. 120).

2. Best practices for the year 2012 :

The successful upstream integration of relationships with suppliers is based on a three-pronged approach : awareness, regulation (whose ISO 14001) and audit. 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 :

- **Supplier's commitment :** LVMH also requires that its suppliers adhere to the same guidelines imposed by regulatory requirements (for example in the field of consumer safety).
 - Moët & Chandon and Glenmorangie present a specifications document for signature to subcontractors. All the brands of Moët Hennessy establish a specifications document presented for signature to their subcontractors that addresses respect for the environment and fundamental labor law compliance, among other issues; every year, supplier audits are carried out to minimize the most significant risks.
 - 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.
 - 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.
 - Moët Hennessy Diageo France signs ethical engagements with its sub-contractors.
- **Questionnaires and 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, which is based on international workplace norms included in the International Labor Organization (ILO) conventions: no child labor, working conditions, health and safety, 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 field training in the company of an SA 8000 auditor. A questionnaire on "environmental practices" is also included in the internal control standard. Louis Vuitton has an evaluation chart for its Leather Goods suppliers. The environmental portion of the SA 8000 standard has been included in supplier audits since the last quarter of 2012. A questionnaire is sent to window dressing suppliers to learn more about their standard of management.
 - 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. Loewe requires its suppliers to have ISO9001/14011/OSHAS 18000 certification. In 2012, Loewe has developed a new supplier assessment and approval process to extend the validity and quality of the standard criteria taken into account when selecting a supplier. More specifically, suppliers of exotic leathers and furs are sent the Animal Sourcing Principles code of conduct, which was developed and adopted in February 2011 by the founding members of the BSR Sustainable Luxury Working Group (SLWG). From 2013, compliance with these guidelines will be an integral part of the supplier assessment and approval process.
 - The House will also be making public Loewe's Animal Sourcing Policy adopted at the end of 2012 and that will be distributed to stores and posted on Loewe's website as part of its sustainable development message. Donna Karan has developed a Vendor Code of Conduct designed to ensure respect for fundamental principles of labor law and targeting 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. Donna Karan has also introduced a Vendor Compliance Agreement, which plans for independent audits of suppliers to ensure that commitments have been observed. In order to encourage such practices and share its own expertise, Donna Karan organizes supplier training programs in partnership with Marc Jacobs. These training programs are run by expert third parties and mainly concern employee working hours, the greening of manufacturing facilities, improved corrective action plans, and updates on regulated substances.

- 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.
- 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 (since 2009, Guerlain conducted 120 Ethic and Social audits), 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.
- Belvedere audits its suppliers' dry solids and pure alcohol as part of its safety and environment control process. Suppliers have made a number of improvements, such as installing a new pure alcohol distillery boiler, replacing coal, and reducing fuel consumption by 40%.
- Hennessy has pursued a strategy of dialogue with all its dry solids suppliers and performed environmental audits since 2008. In 2012, in addition to on-site audits, it audited 24 packaging suppliers. Hennessy also conducts awareness campaigns about the REACH regulation with its purchasing, quality control and development departments.
- For the Perfumes & Cosmetics business group, the jasmine sector is audited.

☑ Outcomes of integration of the Labour principles

- Labor KPIs are available in the “2012 Reference Document” :
 - 📖 See "Human Resources" section, from page 68 to 82).
 - 📖 See also “Social Responsibility Initiatives 2012”.
- 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 2012 : total employees as of December 31 broken down by category, sex and geographical area, percentage of women executives, hirings by gender, voluntary and involuntary employee turnover rate, work-related accidents with sick leave, frequency and severity rates, percentage of employees trained over the last 12 months, average number of days of training per employee, absenteeism, compensation, alternative work arrangements, number of meetings with employee representatives. For fiscal year 2012, Deloitte & Associés issued a report on those indicators (📖 See “2012 Reference Document”, pp. 83-84).

Robust Environmental Management Policies & Procedures :

Criterion 9: 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. Between 2011 and September 2012, all the Watches & Jewelry Maisons gained RJC certification (Responsible Jewellery Council). This certification now includes Bulgari, Chaumet, Christian Dior Couture, Fred, Hublot, TAG Heuer (and the distribution subsidiaries in the United Kingdom, Japan and the United States), Zenith and the jewelry business of Louis Vuitton.

- In the specific field of biodiversity :

- In 2012, the LVMH Environmental Department participated in a number of international conferences and events, including :
 - **Global Compact Day**, organized during the Rio+20 Earth Summit in Rio de Janeiro from June 13 to 22 ;
 - the **Convention on Biological Diversity (COP11) in Hyderabad**, India, from October 8 to 19, in a side event co-organized by LVMH, the Foundation for Biodiversity Research and Association Orée, and consisting of a presentation of the goals, methodology and expected outcomes of the impact assessment conducted by FBR researchers to analyze LVMH practices in respect of the Nagoya Protocol on Access and Benefit Sharing (ABS) for the relevant supply chains.
- The LVMH group has endorsed the "2011-2020 National Strategy for Biodiversity" which was presented by the **French government** in May 2011. This strategy is the French rollout of the "Strategic Plan for Biodiversity 2011-2020 for the planet", adopted by the Convention on Biological Diversity (CBD) in Nagoya in October 2010. In October 2012, the French Ministry of Ecology, Sustainable Development and Energy awarded LVMH "**National Strategy for Biodiversity**

Recognition” for “improving, from upstream to downstream, the footprint on biodiversity of LVMH activities, with the goal of having an actual positive impact on biodiversity.” The SNB followed France’s ratification of the United Nations Convention on Biological Diversity (CBD). The commitment covers the period from 2012 to 2014. The first measures undertaken involve :

- identifying priority areas for diagnosis of the impact (known or potential) on biodiversity;
 - starting an audit of these areas involving the pilot Houses that use targeted raw materials;
 - promoting and disseminating effective initiatives already under way in these areas, if they are having a positive impact on biodiversity or the population ;
 - assessing the impact of the implementation of the Nagoya Protocol on Access to Genetic Resources and the Fair and Equitable Sharing of Benefits Arising from their Utilization (ABS) for the supply channels affected.
- In 2012, the LVMH Group, which had already financed a fact sheet at the end of 2011 prepared by the Foundation for Biodiversity Research entitled “**ABS in all its forms**”, launched an in-depth and multi-disciplinary study of its cosmetics supply channels to give the Group’s Houses an operational tool that met the obligations of the Nagoya Protocol.
 - In 2012, it co-organized with the faculty of sciences at the University of Antananarivo in Madagascar a “Forum on sustainable development and greater collaboration between partners”. This forum brought together stakeholders from LVMH Recherche supply chains in Madagascar and researchers from the Antananarivo Laboratory of General Pharmacology, Pharmacokinetics and Cosmetology (LPGPC). The goal was to share stories from the field, study the contribution of ethno-pharmacology to conservation and sustainable development efforts, and discuss the **implementation of the Nagoya Protocol and Access to Genetic Resources and the Fair and Equitable Sharing of Benefits Arising from their Utilization (ABS) in Madagascar**.
 - For the use of exotic skins, we remind that 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.
- LVMH partnered with the **European Commission** for the **12th Green Week Conference in Brussels**, held from May 22 to 25, 2012, on the topic of water. LVMH sent a daily themed fact sheet to all Group employees on a specific topic related to water consumption, such as the water footprint, saving water during the manufacturing process, and water used in farming. Speaking on the eve of the opening of Green Week 2012, European Environment Commissioner Janez Potočnik said :“Private sector initiatives are crucial if we are to make real progress in improving our environment. I am pleased to see LVMH encouraging environmental best practices among its employees and hope that other companies will take note and follow suit.”
 - Some Houses undertook a number of initiatives as part of the “**UN 2012 International Year of Sustainable Energy for All**”.
 - Many Houses are involved each year in the “**European Sustainable Development Week**” (in 2012 : April 1 to 7), the “**European Week for Waste Reduction**” (in 2012 : from November 17 to 25), the “**European Mobility Week**” (in 2012 : from September 16 to 22).
 - In order to support Global Compact, LVMH contributes to local efforts through the **Ile-de-France Sustainable Development Club**. Established in 2007, this club seeks to introduce best practices to small and medium sized businesses (SMEs) and has set up a system of second party auditing involving representatives of companies that are comparable in terms of concerns and resources. In 2012, LVMH continued sharing best practices.

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 9 of the “2012 Environmental report”).
- Set up in 1992, the **Environmental Department** defines the Group’s strategy and as such reports to 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 eco-building, eco-design and preservation of biodiversity and water resources. 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.
- 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 is also continuing its involvement with the **Responsible Ecosystems Sourcing Platform (RESP)** by participating in a subworking group that focuses on the traceability of exotic leathers, colored stones and certain plant substances. In 2012, work was conducted under the auspices of the BSR on the application of “Sourcing Principles” to cattle hides and ostrich leather with the goal of evaluating the supply chain challenges for each type of skin. Since early 2012, LVMH has also been a member of the Leather Working Group (LWG), a British trade association that has established an environmental rating system for tanneries. A sub-group has been set up specifically for companies dealing in luxury goods to introduce standards in tanneries that supply the luxury goods sector.
- As part of the five-year partnership launched in 2012 between LVMH and **CIRAIG** (Interuniversity Research Center for the Life Cycle of Products, Processes and Services, based at the Ecole Polytechnique de Montréal), Loewe is working on a project to assess the environmental performance of the leathers used in fine leather goods.
- In December 2012, Loewe set up a working group comprising the studio, buyers and marketing teams. The goal was to raise awareness about environmental and social issues and engage in some brainstorming about eco-design.

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. One of the five commitments of the Environmental Charter regards “**design luxury products by integrating environmental innovation and creativity**”.

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.

☑ 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 "2012 Reference Document" page 224), 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.

• **New corporate strategic program :** In 2011, LVMH engaged in a strategic reflection to identify the key themes for strengthening the management of environmental challenges and those facing its Maisons. Established by the steering committee of seven pilot Maisons and reporting to the LVMH Executive Committee, the working party defined the "LIFE LVMH Indicators for Environment" program in 2012, structured around nine key aspects of environmental performance, whose two take into account product stewardship : Eco-design and Lifespan of products.

- **Eco-design :** The Houses have a variety of tools and customized training programs that allow them to incorporate environmental concerns into the design of their products and packaging as much as possible. Eco-design involves reducing packaging weight and volume, choosing specific components and raw materials, and employing more energy-efficient production processes. Informing the public about a product's environmental impact is a growing challenge that has led the French government, for example, to embark on an initiative in this regard. The LVMH Group is actively participating in this work, particularly for the Perfumes & Cosmetics and Fashion & Leather Goods business groups.
- **Lifespan of products :** A product's lifespan is one of nine key aspects of environmental performance listed in the LVMH "LIFE" program. It is intimately linked to product quality, which is one of the hallmarks of a luxury product. Prompted by the increasing scarcity and rising price of raw materials, governments and companies are now more than ever questioning how consumer goods are designed and manufactured. The LVMH Group's approach to these issues involves a combination of upstream action regarding eco-design and impact and product lifecycle analyses, and downstream action regarding maintenance, reparability and recycling. LVMH aims to reaffirm the specific nature of its model, which is based on producing exceptional goods whose durability is validated by their transfer value and premium quality.

• Every year, a public report regarding the environment policies, data, practices and objectives is published. The data are verified by external auditors. (📖 See objectives pp. 54-55 55 in "2012 Environmental Report".)

Criterion 10: 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 "2012 Reference Document" (from page 84 to 91).

1. Organization and responsibility :

- 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.
- 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 CSR. The activities relating to the control and remediation of internal control weaknesses are reflected, documented and tracked as part of the management process that guides all of the Group's core entities. The Group's Guidelines may also be found on the Finance Intranet, together with specially designed tools for the evaluation, prevention and coverage of risks. These materials may be accessed by all personnel involved in the application of the Group's risk management procedures. (📖 See "2012 Reference Document" pp. 104-111.)
- 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 Environmental Charter first adopted in 2001, the Supplier's Code of Conduct introduced in March 2008 and the LVMH Code of Conduct (ethical and good governance principles) adopted in May 2009.

2. Risk assessment process :

- The **internal control and risk management mechanism**, which has been formally in place since 2003 to comply with the LSF (French Financial Security Act) 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. This project was implemented at all significant Group entities in 2011, adopting an intentionally pragmatic and gradual approach, beginning with an in-depth focus on several major risks: to date, the Management Committees of each business group and of the regional holding companies have selected six major risks among the 42 identified by LVMH, with the aim of deploying actions plans for all of these risks by

June 30, 2013.. (📖 See "Implementation of risk management and internal control procedures" in "2012 Reference Document" pp. 104-111 and in particular "2.2. Main risk management principles" and "2.2.3. Establishment of formal procedures for the ERICA system" pp. 105-106.)

- **decentralized at business group and brand level** : As part of the budget cycle and in connection with the preparation of the three-year plan, major risks affecting strategic, operational and financial objectives are systematically identified and evaluated, and a formal account of the conclusions reached, included in the corresponding sections of the reports issued. 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.
- **Geographical exposure** : The Group's production activities are mainly located in France, Spain and Italy, and the majority of its subcontractors are in Europe. However, 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.

3. Examples of environmental analysis :

- **Main environmental challenges 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. (📖 See "2012 Environmental report" page 7).
- **KPIs "LIFE LVMH Indicators for Environnement"** : In 2011, LVMH initiated a strategic thought process to identify key themes in order to better deal with the Group's environmental concerns. This process was implemented by a Steering Committee comprised of representatives from seven pilot Group companies and overseen by LVMH's main Executive Committee. In 2012, it resulted in formulation of the "LIFE - LVMH Indicators for Environment" program, based on nine key aspects of environmental performance :
 - eco-design;
 - strategic raw materials and supply channels;
 - traceability and compliance of materials;
 - relations with suppliers;
 - know-how;
 - reduction of greenhouse gas emissions;
 - environmentally friendly manufacturing processes;
 - product life span;
 - customer information.
- This initiative involved seven pilot Group companies from LVMH's five business groups, which launched the process, thus representing a diverse array of environmental concerns. Each Group company drew up an action plan to illustrate and define priorities for its strategic issues, coupled with indicators to track performance. This methodology led to clearer distinctions between specific

and shared indicators, while also defining in greater detail how to build a shared model which grouping combining the environmental challenges facing Group companies.

- From this perspective, the LIFE program represents a new forum for sharing views and thinking strategically at the Group level, with cross-cutting learning points, which will be progressively rolled out to all Group companies. The program was designed in such a way as to reinforce the inclusion of environmental concerns in management processes, facilitate the development of new steering tools, and take into account the changes and enhancements resulting from Group companies' innovative practices.

📖 See "2012 Reference Document" (page 92) and "2012 Environmental report" (pages 12-13).

- In addition, Group companies are committed in **different strategic initiatives**. As an example, 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.

4. Audits and assessments of environmental risks :

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.

4.1. Key management and external certification processes :

- At the end of 2012, 42 % of manufacturing, logistics or administrative sites were ISO 14001 certified. All of the Cognac, Champagne and Vodka Houses have now obtained ISO 14001 certification.
- In the area of food safety management, the entire Champagne-Cognac-Vodka group is ISO 22000 certified.
- 📖 See also "Evaluation and certification programs" :
 - in "2012 Reference Document" p. 93)
 - in "2012 Environmental Report" :
 - about Building standards (pp. 46-47)
 - Responsible jewelry and certification / RJC (p. 48).

4.2. Audits and controls concerning industrial, environmental and meteorological 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. 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.

- Group companies are audited on a regular basis, either by third parties, insurers or internal auditors, which enables them to keep their compliance monitoring plan up-to-date. In 2012, 24% of the 247 manufacturing, logistics and administrative sites were audited, for a total of 56 external audits and 104 internal audits, with some sites being audited several times during the year. These audits correspond to an inspection of one or more sites of the same company based on all relevant environmental issues – waste,

water, energy, and environmental management – and are documented in a written report including recommendations. In 2012, engineering consultants devoted about a hundred audit days to the industrial and environmental risk monitoring program. This figure does not include the numerous compliance controls that may be performed on a specific environmental regulation topic, e.g. a waste sorting inspection, performed periodically by the Group companies on their sites.

- Since 2003, a review of environmental regulatory compliance is performed by the insurance companies, which now includes an environmental inspection during their fire safety visits to Group company sites. A total of 30 sites were evaluated in 2012 (the same number as in 2011).
- 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.

4.3. Prevention of product-related risks :

- The Group's companies work to ensure greater product 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 been working on establishing procedures so that it is ready when the **new european regulation n° 1223/2009 on cosmetic products** adopted on November 30, 2009 took 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. (📖 See "Consumer Safety" on "2012 Reference Document" pp. 93-94)
- In the area of food safety management, the entire Champagne-Cognac-Vodka group is ISO 22000 certified.

4.4. Suppliers-related risks :

- **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 2012, over 650 social and/or environmental audits were carried out, nearly 80% of which by specialized external service providers, at 546 of our suppliers. Among these audits, 526 related exclusively to social criteria.
 - More than one-third of these audits showed results in line with our standards and 40% 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 20% and 2% of audits performed, respectively. In all, 141 corrective action plans were implemented at our suppliers where audits had identified areas in need of improvement.
 - The increasing use of preliminary audits (81 performed in 2012) 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 "1.8.1. Relations with suppliers" in "2012 Reference Document" (pp. 79-80).

📖 See "Responsible Partnerships" in "2012 Annual Report" (page 120).

- **Responsible jewelry and RJC certification :**

📖 About Responsible jewelry and certification RJC see

- "Responsible Jewellery Council" in "2012 Environmental Report" (page 48).
- "1.4.2. Evaluation and certification programs" in "2012 Reference Document" (page 93).

- **Strategic resources and preferred partnerships :**

- 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.
- 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.

(📖 See "2.1.8. Supply sources and strategic competencies" in "2012 Reference Document", page 39.)

5. Expenses and provisions :

- **Environmental protection expenses in 2012 break down as follows :** operating expenses (9.7 million euros in 2012 / 7.7 in 2011) and capital expenditure (6.4 million euros in 2012 / 7.9 in 2011). (📖 See "2012 Environmental Report" page 43).

- **Provisions and guarantees** given for environmental risks, and compensation paid during the year pursuant to a court decision : The amount of € 12.9 million indicated for 2012 (same amount in 2011) corresponds to the financial guarantees required by law for Seveso upper-tier establishments. (📖 See "2012 Reference Document", page 93.)

☑ **Assessments of lifecycle impact of products, ensuring environmentally sound management policies :**

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. Eco-design involves 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. International and European regulations have led to more stringent environmental requirements in packaging design and manufacture. In particular, the volume and weight of packaging must not be what some regulations define as "excessive."

Environmental impacts of products are assessed in different ways :

- **Assessment of impact of products** needs at first to take into account responsible sourcing and relations and procurement with suppliers.
 - As an example, in the Fashion & Leather Goods business group, Louis Vuitton consistently checks the origin of wood to ensure it comes from sustainably managed forests and always tries to select woods that have been certified by the **FSC or PEFC** (Programme for the Endorsement of Forest Certification) for store construction, window dressings, customer packaging and some of its exclusive products. In 2012, Louis Vuitton conducted a program to educate all staff involved in purchasing wood or wood products – such as for accessories, trunks, architecture, merchandising, writing implements, eyewear and customs interface – about the upcoming requirements of the EU Timber Regulation, which entered into force on March 3, 2013. This regulation describes the obligations of operators placing timber or timber products on the European market and in particular makes it illegal to place illegally harvested timber and timber products on the EU market. The Group is currently putting together a compliance methodology (register, due diligence system, etc.).
 - 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.
- **Packaging** : Eco-design of packaging is a major challenge for the Group’s companies.
 - The Environmental Performance Index (EPI) created by the Perfumes & Cosmetics Houses in 2008 and applicable to packaging is based on the following criteria: separability of material, volume, weight, use of refills, and environmentally friendly material.. A grade is given to each package and may lead to a review of some decisions. Greenhouse gas emissions generated by packaging materials are also calculated. Since 2011, the EPI has been extended to other Group Houses such as Hennessy and the Champagne Houses. 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.
 - In 2012, the EPI Excel spreadsheet was replaced by Edibox (Environmental Packaging Performance Index) software, which involved some major adaptation and resulted in a significant improvement. The tool is now sustainable, reliable and universal. Edibox software was introduced in 2012 at Parfums Christian Dior, Guerlain, LVMH Fragrance Brands, Make Up For Ever, Louis Vuitton and Bulgari to integrate environmental criteria into the design of future packaging from the very earliest stages. The EPI rating, which is supplemented by CO₂ emission data, is currently only calculated for packaging materials. Plans are in place to take account of other life cycle stages (transportation, production, etc.) and indicators (water consumption, consumption of non-renewable resources, etc.). In the case of MHCS, the EPI is applied to 32% of existing products and new projects, accounting for 90% of shipped volume.
 - Packaging and environmental handbook : In 2012, LVMH updated the Packaging and Environment Handbook, which is distributed to all Group Houses. The handbook recaps the questions, methodologies and technical tools relating to packaging design and management, eco-design processes, international regulations, and the environmental impact of materials.
- **Eco-design best practices** :
 - 📖 See "Eco-design best practices" in "2012 Environmental Report" (Louis Vuitton and Guerlain, pages 16-17).
 - 📖 See "Packaging best practices" in "2012 Environmental Report" (Moët & Chandon and MHCS page 15).
 - 📖 See "2012 Reference Document" (pages 88-89).
 - **Example of Loewe** :
 - To ensure that it has a sufficient supply of high quality leathers to carry out its five-year strategic plan, Loewe works closely with breeder associations, such as Casa de Ganaderos – the oldest breeder in Europe, founded in 1218 – on the variables that may affect the quality and traceability of leather..

- In Madrid, reusable boxes have replaced the cardboard boxes used for store deliveries, saving 1.7 metric tons of cardboard every year. An action plan has been set up so that this practice can be extended to other sales locations whenever possible.
- Loewe has implemented an action plan to improve the sustainability of its everyday purchases. Each department's consumption has been analyzed and a “green catalog” produced to meet staff needs.
- **Example of Guerlain :** 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.
- **Environmental labeling :** LVMH and Group Houses are supporting the work being done in France and around the world regarding environmental labeling, particularly for the Perfumes & Cosmetics, Fashion & Leather Goods, Watches & Jewelry and Wines & Spirits business groups.
 - For instance, to better inform and educate consumers, Sephora and LVMH participated in an environmental labeling trial in France conducted between July 2011 and July 2012 using two of Sephora's flagship products: Shower Gel and Shower Cream. Information on greenhouse gas emissions and water consumption throughout the products' life cycle was posted on Sephora's website. Labeling was based on the template defined by the French Consumer Industries' Liaison and Studies Institute (ILEC) and used by many companies.
 - LVMH is also very involved in work currently being performed in France on environmental labeling guidelines for different sectors. It is a member of the working groups focusing on food/wines and spirits, beauty, textiles and leather, jewelry/watchmaking and hotels.

☑ 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 "2012 Reference Document" page 224), 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 "Environmental 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 "2012 Environmental Report" page 39). 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".)
- **External verification of environmental reporting** : 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 56 to 58 of the 2012 Environmental 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 2012, 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). The indicators verified cover a sample of entities representing on average 64 % 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 59 of the "2012 Environmental Report").

☑ **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.

1. Intranet : In 2009, an Intranet website ("LVMH Mind"), specifically devoted to social and environmental responsibility, was launched to better communicate internally the Group's commitment to responsible corporate citizenship. This internal portal provides details of the issues involved in safeguarding and improving the environment for each function in the company. More generally, it describes the Group's principles and initiatives with regard to environmental and corporate social responsibility: diversity, equality, ethics, environmental protection, responsible procurement, etc. The site is available to all Group employees. It is both an information resource and a collaborative working tool for Environmental representatives. Employees can also receive newsletters from the site and subscribe to newsflashes.

2. Training : A training tool, dedicated to the environment correspondents in the Houses, was developed. Over 17,766 hours of training were offered in 2012 for this purpose (+ 13.8% compared to 2011 with 15,602 hours). It is a fun and interactive training module, based on tests and questionnaires, available in the environment section of the intranet, which also offers a broad range of tools : monitoring of international regulations and environmental technologies, common environmental indicators, training modules by theme (wastes / water / regulations / awareness) for all levels of the organization, "Packaging and the Environment" guide, "Environment in administrative sites" guide, "Suppliers" tools... This year, the training program focused on biodiversity issues and the future implementation of the Nagoya Protocol. "Biodiversity" training involved various businesses and was supplemented in early 2013 by case studies.

3. Internal working conferences : The Annual Supply Chain Meeting, comprising experts from various Group Houses, presented in 2012 a review of their accomplishments and progress. This annual meeting 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.

4. Some examples for the year 2012 :

- The latest initiatives conducted by the Group vary widely. In 2012, the **training program focused on biodiversity issues** and the future implementation of the Nagoya Protocol. "Biodiversity" training involved various businesses and was supplemented in early 2013 by case studies.
- The LVMH Group and Houses also holds specific training courses on **REACH** implementation. For example, Givenchy Couture has implemented a variety of training and information initiatives to facilitate the job of the operational managers and help suppliers and manufacturers better monitor product returns. It has also launched a program to test raw materials and verify their compliance.
- Some initiatives are openly geared toward **performance**. This is the case with MHCS, whose report for 2011 and initiatives undertaken in 2012 were the subject of a management review. It implemented a computerized tool to manage improvement initiatives and provided training to 100 people. At Louis Vuitton, environmental information for sales staff is taking shape, largely through educational briefs. The constitution of working groups on energy and waste sorting are also opportunities to boost collaborative training for staff.
- Safety and risk prevention are also issues that require **customized training** :
 - MHCS launched a training program related to France's Certiphyto certification, which approves the professional use of phyto-pharmaceuticals in agricultural and non-agricultural business environments, and introduced special training for staff working in pressing and fermentation.
 - At Parfums Christian Dior, as part of the ISO 14001 certification process, 891 House employees plus staff from independent companies working on site were trained in environmental protection.

- In Poland, training materials provided specifically for Belvedere employees and subcontractors made it possible to train more than 230 people at 70 training sessions. Emphasis was placed on the challenges of the REACH regulation.
- At Bodegas Chandon, display panels are periodically set up offering information on food safety, health and employee safety. Posters educate employees about water consumption and the responsible use of printers.
- Lastly, Louis Vuitton organized two seminars on the topics of “Waste recycling – the CEDRE Platform” and “Sustainable Construction” that brought together representatives from the Production/Logistics network as well as independent stakeholders. Site visits were organized in conjunction with the seminars. As part of the “SIRIUS” project to coordinate and support the ISO 14001 certification process for the leather goods workshops, a training module was deployed and 13 new in-house auditors were trained at head office and the Cergy workshop.

☑ 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 many examples in "2012 Environmental Report" (pp. 48-51) according the following typology :

- Initiatives of governments and international institutions
- Regional and local authorities
- Non-profit associations and research bodies
- Environmental sponsorship and NGOs.

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.

Criterion 11: The COP describes effective *monitoring and evaluation mechanisms* for environmental stewardship :

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

Blueprint For Corporate Sustainability Leadership

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 2012, 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.



- The **seven pilot Houses** taking part in the initiative belong to the five LVMH business groups and are therefore representative of the broad range of challenges encountered. Each House has defined an action plan illustrating and prioritizing its strategic areas of focus, and established indicators to monitor their performance. This methodological approach distinguishes between specific indicators and shared indicators, while creating a more in-depth model that groups together the environmental challenges common to all Houses. For example, levers such as the use of non-air transportation or the evaluation of the environmental performance of packaging based on an Environmental Performance Index (EPI) could be pursued by all Houses in a similar fashion. On the other hand, the operating procedures specific to each business require special thought with regard to supplier-related challenges and practices, and issues of material traceability and compliance. Consequently, the “LIFE” program represents a new form of information exchange and strategic planning within the Group. The information generated will be shared with all teams across all businesses, and the program will gradually be rolled out to include the other Group Houses. The program has been designed in such a way as to make the environment a more integral part of managerial processes, facilitate the development of new management tools, and take into account changes and ideas for improvement resulting from the Houses’ own innovative practices.
- In addition, in 2012 **Loewe introduced a sustainable development program** featuring more than 25 action points in six different areas of the value chain: product durability (design), supply and production of durable leather, responsible and cost-effective logistics, responsible retailing, employee engagement, and dialogue with stakeholders. These actions fall within the framework of the “LIFE” strategic program. Each area is managed by a senior company executive who sits on a sustainable development executive committee that meets twice a year to monitor and support the program’s progress. In addition, an operating committee meeting for each area is held quarterly and attended by the developer of the action points and all others involved..

- **Packaging :** Eco-design of packaging is a major challenge for the Group’s companies. The **EPI (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. Greenhouse gas emissions generated by packaging materials are also calculated. 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 Houses such as Hennessy and the Champagne Houses. In 2012, the EPI Excel spreadsheet was replaced by Edibox (Environmental Packaging Performance Index) software, which involved some major adaptation and resulted in a significant improvement. The tool is now sustainable, reliable and universal. Edibox software was introduced in 2012 at Parfums Christian Dior, Guerlain, LVMH Fragrance Brands, Make Up For Ever, Louis Vuitton and Bulgari to integrate environmental criteria into the design of future packaging from the very earliest stages. The EPI rating, which is supplemented by CO₂ emission data, is currently only calculated for packaging materials.





Plans are in place to take account of other life cycle stages (transportation, production, etc.) and indicators (water consumption, consumption of non-renewable resources, etc.). In the case of MHCS, the EPI is applied to 32% of existing products and new projects, accounting for 90% of shipped volume.

- **Management of buildings :**  See “2012 Environmental Report” for many examples of initiatives in the field of CO₂, energy, water and waste reduction. **As an example in 2012, a Store Lighting Working Group** was set up by the Group, tasked specifically with regulation, technology and energy consumption measuring in stores. Its goal was to boost efforts to reduce lighting-related energy consumption. Sephora Europe and Americas has now installed LED lighting in many of its stores, as have Parfums Christian Dior, DFS and Louis Vuitton. The latter worked with lighting designer Hervé Descottes’ Lighting Designers and Consultants International Observatory on a new concept for incorporating LED lighting in a number of pilot stores, specifically Le Bon Marché, Plaza 66 in Shanghai and some of the Japanese stores. After an in-house seminar held in November 2012, all the issues involving energy, regulations and practices were clearly laid out and led to the development of common guidelines on temperature, lighting programming, reporting, etc. to reduce consumption. Best practices have also been deployed in workshops with the installation of presence detectors and replacement of incandescent lighting. LVMH Fragrances Brands and Make Up For Ever have also replaced incandescent lighting at their workshops with more efficient technologies.
- **Transport :** As part of its Green Supply Chain project, Louis Vuitton has developed a tool to calculate CO₂ emissions and produce a real-time report of transport emissions related to the shipping of leather goods and accessories transiting through the Eole central warehouse. The tool, which has been up and running since January 2012, has been adapted for use at all relevant destinations and provides details as close to reality as possible for each journey made. Louis Vuitton is also continuing its Green Supply Chain project, whose goal is ISO 14001 certification for all supply chain stakeholders, from workshops to stores.



☑ Leadership review of monitoring and improvement results :

- **Reporting :**  See “2012 Environmental Report” (from page 25 to 37).
- **Objectives :**  See “2012 Environmental Report” (pages 54-55).


☑ Process to deal with incidents :

- **Risk Management and Compliance :**  See “2012 Environmental Report” (pages 43 and 45).
- **Product Safety and Customer Health :**  See “2012 Environmental Report” (pages 22-23).
- **Achievements and objectives for “control environmental risks” :**  See “2012 Environmental Report” (pages 53-54).
- **Environmental protection methods :**  See “2012 Reference Document” (page 39 and from page 92 to 94).
- No incidents to report in 2012.
- The amount of provisions for environmental risks (12.9 million euros as of December 31, 2012) indicated in the “2012 Reference Document” (page 93) corresponds to the financial guarantees required by law for Seveso upper-tier establishments. Thus this amount relates only to set standards and not to “compensation paid during the year pursuant to a court decision”.


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

- **Supplier’s audits and relations with suppliers :**
 See pages 79 and 80 of the “2012 Reference Document”.
 See “2012 Annual Report” (page 120 of the PDF version or page 10 of “Sustainable development”).
- **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.

- **Upstream transport :**  See "transport of components from suppliers' sites to the Group's manufacturing sites" pages 36-37 of the "2012 Environmental Report".

- **Some examples of collaboration and information :**

- As part of its supplier relationships, LVMH requires its partners to subscribe to its Supplier Code of Conduct by virtue of which it reserves the right to conduct compliance audits at any time and without notice. ( See "Principles and audits" in "Environmental and social responsibility of suppliers and subcontractors" of the "2012 Environmental report", pp. 23-25).
- In 2012, work was conducted under the auspices of the BSR (Business for Social Responsibility) on the application of "Sourcing Principles" to cattle hides and ostrich leather with the goal of evaluating the supply chain challenges for each type of skin. Since early 2012, LVMH has also been a member of the Leather Working Group (LWG), a British trade association that has established an environmental rating system for tanneries. A sub-group has been set up specifically for companies dealing in luxury goods to introduce standards in tanneries that supply the luxury goods sector.
- In the field of sustainable viticulture, Hennessy has sent all of its suppliers a copy of a guide called "Viticulture durable des Charentes" (Sustainable Viticulture in the Charente Region) which summarizes its environmental commitment.
- REACH regulation :
 - All Houses have incorporated REACH regulatory requirements in their contractual documents so as to involve all suppliers in this effort. The LVMH Group is particularly vigilant in complying with statutory texts, the opinions of scientific committees, and the recommendations of professional bodies. It also abides by strict internal rules for the development of new products – rules that are also imposed on LVMH suppliers.
 - As a result of the tightening of the REACH regulation following the registration of new substances subject to authorization and the requirement to share information between users of substances and their suppliers, the Houses have been following up with their suppliers. Since April 2012, the Houses have been sending their suppliers new letters of commitment specifying their requirements for chemical substance management. Suppliers are requested to ensure that the substances used are registered under the REACH regulation, or regulations similar to REACH in the case of suppliers outside Europe. They are also requested not to use any substances listed in the Group's monitoring tool. This Internet-based tool, available to suppliers, lists 280 substances that are subject to restrictions or authorization based on REACH, as well as other substances of very high concern (SVHC). The tool aims to help Houses suppliers better identify the potential use of these substances and the materials in which they may be found. By working to eliminate SVHCs from the supply chain, the Group's goal is to go a step further than the REACH regulation, which does not ban SVHCs.
 - In Poland, Belvedere is spearheading a long-term partnership program with its pure alcohol supplier that focuses on cereal cultivation and the distillation process. The work performed in June 2012 concerned alcohol analysis, eco-production and the implementation of the REACH regulation.
 - For example, Givenchy Couture has implemented a variety of training and information initiatives to facilitate the job of the operational managers and help suppliers and manufacturers better monitor product returns. It has also launched a program to test raw materials and verify their compliance.

☑ Outcomes of integration of the environmental principles :

- No incidents to report in the recent years.
- The amount of provisions for environmental risks (12.9 million euros as of December 31, 2012) indicated in the “2012 Reference Document” (page 93) corresponds to the financial guarantees required by law for Seveso upper-tier establishments. Thus this amount relates only to set standards and not to “compensation paid during the year pursuant to a court decision”.

Robust Anti-Corruption Management Policies & Procedures

Criterion 12: 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 13: 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 14: 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.
- In 2011, strengthening the Group's business continuity plans (BCPs) was a focus of particular attention. Progress made in 2012 was assessed by way of a questionnaire disseminated to all of the Group's significant entities. Sustained efforts will be required to further develop and improve these procedures and ensure that they continue to meet the Group's requirements. Furthermore, **sessions for the sharing of best practices were organized in 2012** on a range of issues: delegations of authority, payment processes (approval of payments, segregation of duties, signatures and banking delegations), and the system for managing and controlling staff arrivals and departures. **Discussions were also organized with a view to developing an anti-corruption program.** (📖 See "2.3. General internal control principles" in "2012 Reference Document" pp. 106-107.)

☑ Public legal cases regarding corruption (D14) :

No incidents to report.

Taking Action in Support of Broader UN Goals and Issues

Criterion 15 : The COP describes core business contributions to UN goals and issues :

☑ Align core business strategy with one or more relevant UN goals/issues :

- LVMH is fully involved in the implementation of the Nagoya Protocol on **Access and Benefit Sharing (ABS)** for the relevant supply chains
 - In October 2012, the French Ministry of Ecology, Sustainable Development and Energy awarded LVMH “National Strategy for Biodiversity Recognition” for “improving, from upstream to downstream, the footprint on biodiversity of LVMH activities, with the goal of having an actual positive impact on biodiversity” for the period from 2012 to 2014. The **SNB followed France’s ratification of the United Nations Convention on Biological Diversity (CBD)**. The first measures include assessing the impact of the **implementation of the Nagoya Protocol** on Access to Genetic Resources and the Fair and Equitable Sharing of Benefits Arising from their Utilization (ABS) for the supply channels affected.
 - LVMH participated in the **Convention on Biological Diversity (COP11) in Hyderabad, India**, from October 8 to 19, in a side event co-organized by LVMH, the Foundation for Biodiversity Research and Association Orée, and consisting of a presentation of the goals, methodology and expected outcomes of the impact assessment conducted by FBR researchers to analyze LVMH practices in respect.
 - The Ethnobotanical Innovation Department of LVMH Recherche, Perfumes & Cosmetics has focused on ethnobotany for many years. The Department identifies plant species from around the world that could be used in cosmetics, and helps protect these species and develop local economies. In 2012, it co-organized with the faculty of sciences at the University of Antananarivo in Madagascar a “Forum on sustainable development and greater collaboration between partners”. This forum brought together stakeholders from LVMH Recherche supply chains in Madagascar and researchers from the Antananarivo Laboratory of General Pharmacology, Pharmacokinetics and Cosmetology (LPGPC). The goal was to share stories from the field, study the contribution of ethno-pharmacology to conservation and sustainable development efforts, and discuss the **implementation of the Nagoya Protocol and Access to Genetic Resources and the Fair and Equitable Sharing of Benefits Arising from their Utilization (ABS)** in Madagascar.
 - At the same time, the LVMH Group, which had already financed a fact sheet at the end of 2011 prepared by the Foundation for Biodiversity Research entitled “ABS in all its forms”, launched an in-depth and multi-disciplinary **study** of its cosmetics supply channels to give the Group’s Houses an **operational tool that met the obligations of the Nagoya Protocol**.

☑ Develop relevant products and services or design business models that contribute to UN goals/issues :

☑ Adopt and modify operating procedures to maximize contribution to UN goals/issues :

- As an example of new business model, in the field of Non-discrimination, **more than 80% of the staff employed at MHEA, a subsidiary of MHCS, have a disability and work in appropriately adapted conditions**. In 2012, the Group organized its first disability and responsible procurement fair as part of its responsible purchasing policy. Introduced by Antonio Belloni, the Group Managing Director, and Chantal Gaemperle, Executive Vice President, Human Resources and Synergies, the event presented the range of numerous establishments in the protected sector and partnerships with them conducted by the Hennessy, Moët&Chandon, Guerlain, Louis Vuitton, Make Up For Ever and Parfums Christian Dior Maisons. The event, which was supported by the French Minister responsible for people with disabilities, brought around 170 managers together from all Group Maisons. Since 2007, the Group has strengthened its commitment to the employment of people with disabilities. This is embodied in the “Handicap Mission” which involves a

network of 30 disability representatives in the Maisons. LVMH also provides its Maisons with various training mechanisms, including specific sessions for managers : “The Manager and Disabilities”. As a result of these efforts, the employment rate of people with disabilities has increased year on year since 2007 and reached 4.1% in France in 2012 (compared to 1.6% in 2007). The employment rate of people with a disability at Louis Vuitton in Japan is above the legal minimum.

Criterion 16 : The COP describes strategic social investments and philanthropy :

☑ Pursue social investments and philanthropic contributions that tie in with the core competencies 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 :

☑ Take responsibility for the intentional and unintentional effects of funding and have due regard for local customs, traditions, religions, and priorities of pertinent individuals and groups :

📖 References :

- See "Corporate Sponsorship supporting culture youth and humanitarian action" ("2012 Annual Report " pages 132-133).
- See "A Responsible Group" ("2012 Annual Report", pages 117-119).
- See "1.8.3. and 1.8.4. Corporate sponsorship" ("2012 Reference Document", pages 80-82).
- See "Environmental Sponsorship and NGO" ("2012 Environmental Report", page 51).

The breakdown of philanthropic activities by country and activity is not detailed and disclosed externally :

<i>Type of Contribution</i>	Amount (thousand of euros)	
	2011	2012
Cash contributions	87 062	83 567
Time : employee volunteering during paid working hours	295	690
In-kind giving: product or services donations, projects/partnerships or similar	1 305	520

The LVMH Reports (as reminded above) present different initiatives which can be valued in the field of philanthropic activities. The LVMH best practices for the year 2012 are presented according to the following typology :

1. Culture, Heritage and Contemporary Design :

In 2012, a philanthropy conference was organized during the “Inspiring Entrepreneur” seminar at the Museum of Modern Art in New York, in the presence of Chantal Gaemperle Group Human Resources Director and Marie-Josée Kravis, Chairman of MoMA and director of LVMH.

- The first aspect of LVMH’s sponsorship focuses on the **promotion of artistic heritage in France and worldwide** : restoring historic monuments, enriching the collections of major museums, contributing to major national exhibitions, and supporting the work of the iconic artists of our time.
 - LVMH supported the Pompidou Center’s retrospective of the German artist Gerhard Richter. His work, which is prominent on the contemporary international scene, attracted 425,000 visitors.
 - The Group also sponsored the “Impressionism, Fashion and Modernity” exhibition, which brought fashion creations for the first time to one of the great French museums, the Musée d’Orsay.
 - LVMH also continued its support for Monumenta, an exhibition organized by the French Ministry of Culture and Communication which the Group has supported since its inauguration in 2007.
 - Abroad, LVMH supported the “Picasso” exhibitions presented in the spring at the Heritage Museum in Hong Kong, and “Thomas Schütte”, which opened in the fall at the Serpentine Gallery in London.

- **Initiatives to support youth :** Children in elementary and high schools as well as art students benefit from educational programs designed and initiated by the Group to give them greater access to the best of culture, particularly in the areas of music and the plastic arts : LVMH study program, “1,000 seats for young people” program, Stradivarius instruments loaned from the LVMH collection...
- **Good practices :**
 - Highly committed to arts in Asia Pacific region, Bulgari recently gave the Bulgari Art Award (in association with the Art Gallery of New South Wales) to Australian artist Michael Zavros for his work “The new Round Room”. The prize includes the purchasing of the artist’s works for up to \$ 50,000 and an artist’s residency in Italy to the value of \$ 30,000, which makes it one of the most prestigious awards in Australia.
 - Bulgari in partnership with the Red Cross supported the gala dinner of the Smile Angel Foundation (an association that provides medical help for children with a cleft lip) by putting a bracelet from the Mediterranean Eden collection up for auction. Like Fendi, the company also participated in the Bazaar Charity Night, a charity dinner that was held to celebrate Vogue magazine’s 120th anniversary.
 - Moët & Chandon also sponsors the Épernay Theatre in France. On the other side of the Atlantic, it is a partner of the "Black Women in Hollywood" lunch, organised by the monthly African-American women's magazine *Essence*, and of the annual amfAR Cinema Against AIDS gala. At the 19th annual gala reception of the AIDS association sponsored by the film industry, the company auctioned the last box of Moët & Chandon 1911 grand vintage.
 - De Beers Diamond Jewellers supports the arts through sponsorship of the Central Saint Martins Jewellery exhibition.

2. Health and Research :

- For the last 20 years, in France and around the world, our Group has supported **numerous institutions recognized for their work for children**, particularly the Paris Hospitals Foundation (Fondation des Hôpitaux de Paris – Hôpitaux de France), the “Le Pont-Neuf” association, “Save the Children” in Japan, the “Robin Hood Foundation” in New York, and the Claude Pompidou Foundation, which helps elderly and disabled people.
- In addition, LVMH has chosen to support several **foundations and scientific teams engaged in public health research**, including the Pasteur Institute, the American Hospital in Paris, the American Foundation for AIDS Research, cancer research at the Paul Brousse and Henri Mondor hospitals and the Curie Institute, the Parkinson’s Disease Foundation in New York, and the Fondation pour la Recherche en Psychiatrie et en Santé Mentale (Psychiatry and Mental Health Research Foundation).
 - Make Up for Ever supports sick children by taking part in actions together with the Robert Debré hospital in Paris, including the Carnival and end-of-the-year parties. The company gives products to the “CeKeDuBonheur” association as Christmas gifts for children and teenagers in hospital. In addition, it sponsors makeup for the “rire médecin” (healing laughter) jumble sale organised by the town council of the 17th arrondissement in Paris.
 - Guerlain is also closely involved with the CEW beauty centres (free aesthetic treatment in hospital) and *Belle et bien* (Beautiful and well), which offers female cancer sufferers access to cosmetic treatments and make-up.

3. Social and professional insertion :

- **Initiatives to held social cohesion and underprivileged job-seekers :** The Group has put in place a number of systems to help job-seekers.
 - LVMH has also forged a partnership with the town of **Montfermeil**, which is located in a difficult economic and geographical environment, to support initiatives promoting social cohesion and help young people get jobs. A whole range of actions is being deployed for the benefit of the town’s inhabitants, especially young people, including the proceeds of a fashion show, a special LVMH jury

award, internships offered to students, visits to Group Maisons, the preparation of vocational school students and support for jobseekers. LVMH and the town of Montfermeil were recognised for their partnership on 18 December 2012, when they received the *Trophée National de l'Entreprise Citoyenne* (French national corporate citizen award) at the Senate, in the presence of Jean-Pierre Bel, President of the Senate, and François Lamy, Minister for Urban Areas. (See “Special Report” about partnership between LVMH and the town of Montfermeil in “Social Responsibility Initiatives 2012”, pp. 28-29.) Guerlain has also created a fund dedicated to providing financial support to the winner of the Jeune talent LVMH (LVMH young talent) trophy, awarded at the Cultures et Création fashion show in the town of Montfermeil.

- **Several champagne companies** are taking action on a **large scale to support jobseekers**. The Beauvais site operated by LVMH Fragrance Brands has joined the association Cap Parrainage, with the aim of supporting the region's jobseekers. Veuve Clicquot hosted five placement students for ten days, allowing them to have their *Pôle Emploi* (French employment agency) training approved. Moët & Chandon has developed several partnerships with Cap Emploi, Pôle Emploi; Écoles de la 2^{ème} Chance; the Mission Locale of Épernay, offering youth guidance in seeking employment. The company hosted a dozen individuals through the Mission Locale as well as five youth through the Écoles de la 2^{ème} Chance under professional training contracts. Hublot has formed a partnership with ORP, the Swiss regional job centre. Finally, Hennessy is participating in the *100 chances, 100 emplois* (100 chances, 100 jobs) operation organised by the Mission Locale of Charente. Like many of the companies within the Group that invest in their local communities, Moët & Chandon opened its doors to 60 students from a neighbouring secondary school in Reims, for a period of two days, as part of their coursework on the basics of economics and management. Veuve Clicquot channels its apprenticeship tax into organisations working for diversity and professional integration. Each year, the **Glenmorangie distillery** invites its employees to work with schools and universities towards a cause that is dear to their hearts.
- Always with the aim of furthering access to employment based only on merit and commitment, LVMH is a participating member of the **RNEECE, a network of French companies** promoting equal opportunities in education and training. This association arranges actions by companies in schools located in underprivileged areas and welcomes their graduates as interns.
- The Group encourages its employees to become involved and integrate corporate social responsibility issues in their practices, especially in France through sponsorship via the French equality of opportunity association, *Nos Quartiers ont des Talents*. About a hundred senior-level staff members have mentored more than 150 young graduates from underprivileged neighborhoods. Under partnerships with municipal authorities, presentations on the Group's professions are given to middle school students in these localities, thus contributing to youth guidance efforts, a condition for successful occupational integration. Louis Vuitton, Hennessy, Moët Hennessy Diageo, Berluti, Parfums Christian Dior and LVMH Fragrance Brands support young people through the *Nos Quartiers ont des Talents* (Our neighbourhoods have talent) programme.
- Again in 2012, over 150 people were able to benefit from “**Jobstyle**” **self-image training sessions** run by beauty consultants, stylists and HR managers from Sephora and Make Up For Ever. These initiatives are tailored within each Maison : in Spain for example, Loewe financed the training of 300 people with a disability to improve their potential to find a job. In May 2012, the Make Up For Ever Academy welcomed **twenty-eight jobseekers** to its new Parisian premises for a JobStyle workshop. This initiative was part of the partnership formed with the association *Nos Quartiers ont des Talents* (Our neighbourhoods have talent). It supports young graduates from underprivileged areas in their job search. Sephora works closely with individuals receiving assistance from the association *Force Femmes*. Sephora also works with the association *Toutes à l'école* (Everyone in school), which promotes the education of young girls from underprivileged social backgrounds in Cambodia. During the end-of-year celebrations, stores donate all proceeds from the sale of stuffed animals to the association.
- In all countries, LVMH continues to nurture many partnerships and develop its multiple ties with educational institutions to raise the profile of the Group's professions. These partnerships often result in scholarships and funding for schools training young people in the fashion and leather goods professions.

- In order to promote the integration of young people through education regardless of their background or origin, LVMH supports the priority education program (*Convention d'Education Prioritaire*) run by the **Institut d'Études Politiques (Sciences Po)**, which offers grants to students from disadvantaged backgrounds and gives young Sciences Po graduates the chance of being mentored by managers. Moreover, Hennessy funds scholarships for African- American students in the United States.
- Employees at Parfums Christian Dior's production site created a tutorial in partnership with the local **"PARE" (Plan d'Aide au Retour à l'Emploi)** aid for return to employment program. This led to 20 socially disadvantaged people gaining employment at Christian Dior and recruitment of a further 28 adults who have been retrained under qualifying schemes since 2008. The positive regional impact of the Saint-Jean de Braye employment policy is well known to stakeholders in the site's activity, who awarded it the *Trophée de l'entreprise du Loiret* corporate citizenship prize on October 25, 2012 in Orléans.
- In South America, Moët Hennessy participates in Brazil in initiatives promoting the occupational integration of struggling youths or those from underprivileged backgrounds and offers in Argentina parental training programs for the families of its employees in partnership with training organizations.
- For the third year in a row, through its partnership with **Spectaculu in Brazil**, Louis Vuitton is sponsoring an annual photography course for around twenty underprivileged students in Rio de Janeiro, who will get the opportunity to develop their cultural and professional qualifications.
- **Employment of people with disabilities:** The very broad range of this commitment is illustrated in the following different actions and results.
 - In London, LVMH Maison and the Down's Syndrome Association (DSA) organized an event to promote social and professional integration of people with Down's Syndrome.
 - Guerlain entrusted the manufacture of its new fragrance "La Petite Robe noire" to a sheltered workshop, directed by a medical-social and educational institute, specializing in upholstery and luggage.
 - Moët & Chandon has asked the French association for the paralysed in Reims to help with the renovation of the Napoleon cellar (cleaning the walls and vaults).
 - Within the scope of their partnership, signed in December 2010, Bulgari and Il Porto di Coenzo, a social cooperative employing underprivileged or disabled people, organised a visit to the Bulgari site in Florence on 31 October 2012. This first face-to-face meeting of the employees of the two establishments was a nice way to solidify the partnership.
 - Within the scope of the European We Work in Europe Too programme, 30 representatives of associations from Norway, the Netherlands and Germany came together on 18 April 2012 at Moët & Chandon to share ideas on the topic of disability in the workplace.

4. Disadvantaged local communities and traumatic events :

At many of its operating sites, the Group has made a commitment to local development and community action.

- The Group and its Maisons contributed to the support of emergency aid organizations for those affected by the hurricane Sandy, providing a total of a million dollars, donated specifically to the American Red Cross and the "Mayor's Fund to Advance New York City".
- In July 2012 in China, the Wines & Spirits division organized a Summer Camp for the best pupils – especially the most impoverished – of a school in Sichuan that had been destroyed in the 2008 earthquake. In China, Moët Hennessy Diageo has mentored a group of middle school students from Sichuan province since the earthquake in 2009, with remedial assistance provided by its employees and the funding of educational materials. Moët Hennessy Asia Pacific, Moët Hennessy Diageo and Wenjun have contributed to the financing of the reconstruction of the Yu Long School in the province of Szechuan, through a donation to the Spring Bud School Building Programme. Similarly, through the operation "Hand in Hand for Haiti" launched in the aftermath of the earthquake in

January 2010, DFS contributed to rebuilding and maintaining a school complex for the most disadvantaged children in the town of Saint-Marc.

- In January 2010, Louis Vuitton and SOS Children's Villages sealed a 5-year global partnership to develop a program called "Partnership for Children's Futures", with operations in 44 countries including in 2012 India, Lebanon and China. Present in 133 countries, the NGO welcomes orphans and other vulnerable children, helping them to grow, rebuild and optimistically face their future. The company supports a large number of programmes associated with the renovation and construction of living spaces; education and the transmission of knowledge; and social integration. But beyond the financial contribution of the company, there are also opportunities for employees to get involved, such as by proposing and supporting projects. **In 2012, the company took part in initiatives in more than 25 countries.** The construction of the educational centre in Bhubaneswar, in north-east India, is one of this year's greatest projects. It will provide 150 children of the local SOS Village with a computer room, a library and a music room. This is the culmination of a contest launched in 2011 among company's architects in which 14 teams participated.
- In India, Moët Hennessy supports the work of Asema, a non-governmental organization working to promote access to education for underprivileged children in Mumbai.
- LVMH has continued to contribute to the "Fraternité Universelle" Foundation which, through medical, educational and subsistence programs, helps children and disenfranchised populations in one of the poorest regions of the world, the high plains of Haiti.
- In the Far East, Moët Hennessy Asia Pacific supports various associations in the battle against alcoholism (Hong Kong, Taiwan) and works closely alongside the most vulnerable children with the organisation Plan International.
- Louis Vuitton also supports the associations and artists that contribute to education and social integration through art and culture. In North America, Louis Vuitton organized *Art Talks* with renowned artists such as Ed Ruscha and Vik Muniz who are designing artistic installations in the stores. In the United States, sixty employees were each able to accompany a child to the Whitney Museum of American Art in New York where they could discover the creations of Yayoi Kusama. The company also enabled more than forty underprivileged young people in Miami and Los Angeles to receive an introduction to design with Retna, a leading artist in the world of graffiti. In the United Kingdom and in Belgium, the subsidiaries of the company allow the younger generation to access challenging works of art.
- Bulgari and Save the Children have launched a pilot project in Crotona and Scalea. This initiative is part of an international commitment of Bulgari, working side by side with the organisation Save the Children to support children's education worldwide. The project realized with Bulgari in the region of Calabria, Italy, aims to combat absenteeism and early exit from the school system in this complex region. Calabria has suffered from huge industrial decline, which resulted in a high level of unemployment, the impoverishment of many families, and the emigration of large numbers of youth. The project, which targets children aged 10 to 13, was launched in September 2012 and will last two years. Italian actor Vinicio Marchioni has for several years been involved with Save the Children and is participating by promoting the initiatives. The major themes of activities planned for the children will focus on civic involvement, and more precisely, civic duty and the issues of legality and criminality. For Francesco Trapani, president of the LVMH watches & jewellery division, "education is essential for dignity and a fundamental tool for shaping one's future once adult."

5. Sponsorship of environmental organizations and projects :

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.

- 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 ;

- Green Cross International, the Foundation created by former Russian president Mikhail Gorbachev.
- TAG Heuer continues the partnership it formed in 2009 with Leonardo DiCaprio to raise funds to benefit the Natural Resources Defense Council and Green Cross International.
- **Fair Trade :**
 - **Marc By Marc Jacobs, partner of Manos Del Uruguay :** Established in 1968, Manos del Uruguay is a non-profit association owned by craftswomen from rural villages in Uruguay who produce hand-knitted and hand-dyed garments. The women have joined forces to promote the use of the country's wool resources and create high-quality garments and accessories. As a member of the World Fair Trade Organization, Manos fosters local social and economic development.
 - **Conservation Cotton Initiative Uganda (CCIU) :** As an example in the field of Community Engagement, in 2009, LVMH bought a 49% stake in Edun a pioneer in ethical fashion. LVMH provides essential support, investment and infrastructure to help Edun grow the business into a global fashion brand and support its vision to grow trade in Africa. 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. This year 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.
- **Innovative projects :**
 - In February 2012, the French National Forests Office (ONF) and Moët Hennessy, LVMH's Wines & Spirits business group, signed a three-year environmental sponsorship agreement to promote biodiversity protection and the sustainable development of the Montagne de Reims state forests in France's Marne region. The program is being conducted near two of Moët Hennessy's iconic heritage sites: the Manoir de Verzy and the Abbaye d'Hautvillers. The sponsorship agreement will enable the ONF to undertake original restoration and development programs.
 - Through Orchidarium, its orchid research platform, Guerlain has partnered with the Tianzi Nature Reserve in China, under a 10-year sponsorship agreement that has three areas of focus : reforestation, planting of orchids in the natural environment, and the development of a social program for local populations.
 - Louis Vuitton supports a number of different projects such as beach cleaning in Hawaii and the "One Million Trees" project, launched in 2007, whose goal is to plant one million trees across New York City's five boroughs over the next decade. In October 2012, the 25 employees of Louis Vuitton's New York headquarters planted almost 200 trees in Highbridge Park in the Washington Heights section of Manhattan.
 - Following the earthquake and tsunami in Japan on March 11, 2011, and independently of donations made to the Japanese Red Cross to help disaster victims, Louis Vuitton made an additional two-year commitment in 2012 to support the "Forests Are Lovers of the Sea" project, devised by an oyster farmer from the Miyagi Prefecture, Shigeatsu Hatakeyama, to help rebuild the oyster fields destroyed by the tsunami. As part of the "Louis Vuitton Forest" project, Louis Vuitton has financed the purchase of a forest located in Japan's Nagano region. In 2012, the project's fourth year, felled wood was given to the architect Shigeru Ban to be used for shelters and furniture for Japan's disaster victims. In 2012, Louis Vuitton's Japanese head office and stores in the region launched an initiative in partnership with a local non-profit association to collect and recycle bottle tops, which funded the distribution of polio vaccines to children.
 - Louis Vuitton is continuing its partnership with the non-profit association La Réserve des Arts, a platform that collects and recycles corporate waste by passing it on to professional artists and designers. Materials are regularly collected from head office, the Asnières workshop and the Louis Vuitton Cultural Space and given to costume designers, architects, young artists, choreographers and

sculptors. The first post-event collection was made on a pilot basis during the dismantling of the Louis Vuitton/Marc Jacobs exhibition at the Museum of Decorative Arts.

- Chaumet, Guerlain and Louis Vuitton have partnerships around the issue of bee protection ; etc...

Criterion 17: The COP describes advocacy and public policy engagement :

☑ Publicly advocate the importance of action in relation to one or more UN goals/issues :

☑ Commit company leaders to participate in key summits, conferences, and other important public policy interactions in relation to one or more UN goals/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 2012, the LVMH Environmental Department participated in a number of international conferences and events, including :

- **Global Compact Day**, organized during the Rio+20 Earth Summit in Rio de Janeiro from June 13 to 22 ;
- the **Convention on Biological Diversity (COP11) in Hyderabad**, India, from October 8 to 19, in a side event co-organized by LVMH, the Foundation for Biodiversity Research and Association Orée, and consisting of a presentation of the goals, methodology and expected outcomes of the impact assessment conducted by FBR researchers to analyze LVMH practices in respect of the Nagoya Protocol on Access and Benefit Sharing (ABS) for the relevant supply chains.
- the partnership with the **European Commission** for the **12th Green Week Conference in Brussels**, held from May 22 to 25, 2012, on the topic of water. LVMH sent a daily themed fact sheet to all Group employees on a specific topic related to water consumption, such as the water footprint, saving water during the manufacturing process, and water used in farming. Speaking on the eve of the opening of Green Week 2012, European Environment Commissioner Janez Potočnik said :“Private sector initiatives are crucial if we are to make real progress in improving our environment. I am pleased to see LVMH encouraging environmental best practices among its employees and hope that other companies will take note and follow suit.”

Criterion 18: The COP describes partnerships and collective action :

☑ Develop and implement partnership projects with public or private organizations (UN entities, government, NGOs, or other groups) on core business, social investments and/or advocacy :

Many events were organized in 2012 in partnership with schools and universities across various professions, regions, and levels of qualification.

- **Environmental partnerships with Universities and Business Schools :**

- As part of the five-year partnership launched in 2012 between LVMH and **CIRAIG** (Interuniversity Research Center for the Life Cycle of Products, Processes and Services, based at the Ecole Polytechnique de Montréal), Loewe is working on a project to assess the environmental performance of the leathers used in fine leather goods.

- In 2012, LVMH co-organized with the faculty of sciences at the University of Antananarivo in Madagascar a “Forum on sustainable development and greater collaboration between partners”. This forum brought together stakeholders from LVMH Recherche supply chains in Madagascar and researchers from the Antananarivo Laboratory of General Pharmacology, Pharmacokinetics and Cosmetology (LPGPC). The goal was to share stories from the field, study the contribution of ethnopharmacology to conservation and sustainable development efforts, and discuss the **implementation of the Nagoya Protocol and Access to Genetic Resources and the Fair and Equitable Sharing of Benefits Arising from their Utilization (ABS)** in Madagascar.
 - In 2012, Louis Vuitton's Environmental Manager spoke on the topic of “Luxury and the environment : the case of Louis Vuitton” at a meeting of graduate marketing students at French fashion and arts school, Mod'Art International.
 - 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.
- **Partnerships and multiple ties with educational institutions to raise the profile of the Group's professions :** Over the course of 2012, LVMH strengthened its appeal to leading colleges and universities, organizing more than a hundred events worldwide to promote the Group's image and Group companies to up-and-coming talents while reaffirming its commitment to be a fully-fledged partner.
- These events were organized in France under the auspices of the LVMH Essec Chair in luxury goods marketing, via organizations including the HEC business school in Paris with an Induction Seminar for international students. LVMH also worked with the institute Sciences Po with the award of grants for students from the West Indies, and with the French Fashion Institute, the Ecole Duperré design school, and other bodies.
 - The Group maintains its close relations with leading fashion schools, the Institut Français de la Mode in Paris, Central Saint Martins College of Arts and Design in London (a sponsorship agreement was signed in 2012 in order to foster the development of creative, cross-disciplinary projects at Group companies), Parsons the New School for Design in New York, and the Hong Kong Polytechnic University School of Design.
 - LVMH is a member of CEMS (Global Alliance in Management Education) which links international groups with leading European business schools and takes part in many actions in favor of graduates of top universities in more than twenty countries. Key Group companies give presentations on the campuses of these universities several times a year.
 - In other countries different partnerships promote the development of multi-disciplinary design projects within the Maisons :
 - in Hong Kong and Shanghai, there were MBA events where the Group's Maisons could meet students from four prestigious schools ;
 - in Japan, at Waseda University with the “LVMH Chair on Luxury Branding” ;
 - in Italy with the “Luxury Business Management Track Bulgari – SDA Bocconi”.

☑ Join industry peers, UN entities and/or other stakeholders in initiatives contributing to solving common challenges and dilemmas at the global and/or local levels with an emphasis on initiatives extending the company's positive impact on its value chain :

Examples of collective actions :

1. Governments and international institutions :

- 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 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.

2. Local authorities and regions :


- In France, for example, staff from Louis Vuitton serve on the Sustainable Development Advisory Committee of the Greater Cergy-Pontoise District Council in connection with eco business parks. In 2012 a pilot agreement was signed to collect and recycle waste from the business parks in this urban center. Teams from the Cergy warehouses promoted their logistics site's best practices at meetings of the Versailles Chamber of Commerce and Industry (energy efficiency), the Val-d'Oise Prefecture and DRIEE [Regional and Inter-department Environment and Energy Department] (energy efficiency), and the University of Cergy-Pointoise (sustainable logistics).
- 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.

3. Research and professional exchanges with organizations :

- While LVMH’s Watches & Jewelry business group became a member of the **Responsible Jewellery Council (RJC)** in 2005, each Maison in the Watches & Jewelry business group has been an individual member of the RJC since 2011. This organization encompasses, within working groups, 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.
- In addition to its work with the Responsible Jewellery Council, the Group continues its involvement with **Business for Social Responsibility (BSR)**. In particular, it belongs to a working group set up to establish best practices in the sourcing of exotic leathers. LVMH is also continuing its involvement with the **Responsible Ecosystems Sourcing Platform (RESP)** by participating in a subworking group that focuses on the traceability of exotic leathers, colored stones and certain plant substances. In 2012, work was conducted under the auspices of the BSR on the application of “Sourcing Principles” to cattle hides and ostrich leather with the goal of evaluating the supply chain challenges for each type of skin. Since early 2012, LVMH has also been a member of the Leather Working Group (LWG), a British trade association that has established an environmental rating system for tanneries. A sub-group has been set up specifically for companies dealing in luxury goods to introduce standards in tanneries that supply the luxury goods sector.
- 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 ecosystem 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, 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.
- LVMH also contributes to Global Compact local sustainable development initiatives through the **Ile-de-France Sustainable Development Club**. Established in 2007, this club seeks to introduce best practices to SMEs and has set up a system of second-party auditing involving representatives of companies that are comparable in terms of concerns and resources.
- In 2011, Louis Vuitton also signed a three-year sponsorship agreement with the **CNRS (France's National Center for Scientific Research)** for a project entitled "City bees - Country bees," the goal of which is to understand why bees fair better today in urban areas than rural ones. A study released in 2012 addressed biodiversity at Louis Vuitton's Cergy 1 and Cergy 3 sites (flora, birds, butterflies).

4. Consumers and public :

- Many Houses organized internal and external events involving public, partners or suppliers as part of different Sustainable Development events as the : "European Sustainable Development Week" (in April), "European Mobility Week" (in September) and "European Week for Waste Reduction" (in November).  See many other examples in "Events" ("2012 Environment Report" pp. 40-42).
- Drawing on their heritage and traditions, the Group's Maisons are helping to promote the knowhow of their craftsmen and employees both locally and nationally. In 2012, Louis Vuitton's workshops organized a number of open days featuring the in-house exhibition "Nature, Art and Materials." A film promoting best practices in safety and the environment is shown to every service provider who visits the Sainte-Florence workshop in Vendée. On October 15 and 16, 2011, LVMH organized "Special Days" (*Journées Particulières*) during which 25 exceptional sites in France and other European countries were open to the public. In-house "Open Days" (*Portes Ouvertes*) featuring a presentation on environmental initiatives were also held at many of the Louis Vuitton workshops and were attended by 1,000 employees along with their friends and families. For 2013, LVMH has announced the list of 40 exceptional places that will welcome the public during *Les Journées Particulières* on June 15th and 16th.

Corporate Sustainability Governance and Leadership

Criterion 19: The COP describes CEO commitment and leadership :

- ☑ CEO publicly delivers explicit statements and demonstrates personal leadership on sustainability and commitment to the UN Global Compact :
- ☑ CEO promotes initiatives to enhance sustainability of the company's sector and leads development of industry standards :
- ☑ CEO leads executive management team in development of corporate sustainability strategy, defining goals and overseeing implementation :

The year 2012 marked "20 years" since Bernard Arnault's decision to create the LVMH Environmental Department, demonstrating that Group's Houses have long been taking environmental concerns into account. Many internal events were organized with the support of Bernard Arnault in order to celebrate this anniversary.

1. Commitment and involvement at the highest level :

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**.

- The declarations and commitments in the field of CSR and sustainable development have been approved by **Bernard Arnault, Chairman and Chief Executive Officer**.

	International agreements supported	Commitments signed
Cross-cutting issues	« Universal Declaration of Human Rights »	« United Nations Global Compact » (2003)
	« OCDE Guidelines »	« Gordon Brown's Millenium Development Goals » (2007)
	« Kimberley Process »	▪ Watches & Jewelry business group of LVMH member of the RJC (Responsible Jewellery Council) since 2011
Environment	« Caring for Climate (voluntary and complementary action platform for UN Global Compact) »	▪ « Copenhagen Communiqué on Climate Change » launched at the initiative of the Prince of Wales and Cambridge University (June 2009)
	« CITES Conventions (on International Trade in Endangered Species) »	
	« Millennium Development Objectives »	
Social	« International Labour Organization conventions »	« Apprenticeship Charter » (June 2005)
		« Enterprise Charter for Equal Opportunity in Education » (December 2006)
		« Diversity Charter » (2007)
		« Charter for professional integration of disabled people » (November 13, 2009)
		« Women on the Board Pledge for Europe » (July 12, 2011)

- **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 "2012 Reference Document" page 224)

2. Steering Committee :

The "LVMH Code of Conduct", adopted in May 2009, summarizes the contacts responsible for ensuring CSR implementation and compliance within a dedicated **Steering Committee** : Sylvie Benard (Environmental Affairs Department), Chris Hollis (Financial Communications Department) and Christian Sanchez (Social Development Department). The collaboration developed between LVMH and the Houses allow to discuss the stakes concerning sustainable development and CSR through different tools and meetings : committees and specific international networks (social, environment, supply chain, communication...), local committees, annual conventions, working groups, collaborative tools, events, etc.



- 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. Generating even greater synergies between the Maisons, the LVMH ecosystem was set up in 2012 to provide a new, highly collaborative approach, with the creation of a global HR community on the **Group intranet, "Voices"**. Over 1,100 HR employees are now signed up to this site and can communicate freely, sharing experience and best practices, and accessing a shared database which is essential to their work.

- 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 "2012 Environmental Report" pp. 38-39).

- **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.

Criterion 20: The COP describes 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) :

- According to the "Charter of the Board of Directors" (📖 see "2012 Reference Document" page 224), 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.
 - Set up in 1992, the Environmental Department defines the Group's strategy and as such reports to **Antonio BELLONI, Group Managing Director of the Executive Committee and member of Board of Directors.**
 - The Social Development Department defines the Group's strategy in the field of Social Responsibility and as such reports to **Mrs Chantal GAEMPERLE, Director of Group Human Resources and Synergies and member of the Executive Committee.**
- The reporting on corporate sustainability is approved by the **Board of Directors.**

Criterion 21: The COP describes stakeholder engagement :

☑ Publicly recognize responsibility for the company's impacts on internal and external stakeholders :

Commitment of the LVMH Group recognized in France's National Strategy for Biodiversity (SNB) :

As an example for the year 2012, in October, the French Ministry of Ecology, Sustainable Development and Energy awarded LVMH "National Strategy for Biodiversity Recognition" for "improving, from upstream to downstream, the footprint on biodiversity of LVMH activities, with the goal of having an actual positive impact on biodiversity." The SNB followed France's ratification of the United Nations Convention on Biological Diversity (CBD). The commitment covers the period from 2012 to 2014.

The first measures undertaken involve:

- identifying priority areas for diagnosis of the impact (known or potential) on biodiversity;
- starting an audit of these areas involving the pilot Houses that use targeted raw materials;
- promoting and disseminating effective initiatives already under way in these areas, if they are having a positive impact on biodiversity or the population;
- assessing the impact of the implementation of the Nagoya Protocol on Access to Genetic Resources and the Fair and Equitable Sharing of Benefits Arising from their Utilization (ABS) for the supply channels affected.

☑ **Define sustainability strategies, goals and policies in consultation with key stakeholders :**

☑ **Consult stakeholders in dealing with implementation dilemmas and challenges and invite them to take active part in reviewing performance :**

Many consultations and partnerships are implemented by LVMH with its main stakeholders. The LVMH initiatives for the year 2012 are presented according to the following typology :

1. Governments and international institutions :

- LVMH partnered with the **European Commission** for the 12th Green Week Conference in Brussels, held from May 22 to 25, 2012, on the topic of water. During the week of May 21, 2012, LVMH sent a daily themed fact sheet to all Group employees on a specific topic related to water consumption, such as the water footprint, saving water during the manufacturing process, and water used in farming.
- After committing in 2011 to France's National Strategy for Biodiversity (SNB) 2011-2020, presented by the French government on the eve of International Biodiversity Day on May 22, 2011, the LVMH Group was awarded "National Strategy for Biodiversity Recognition" in October 2012 by the French Ministry of Ecology, Sustainable Development and Energy for its project entitled "Improving, from upstream to downstream, the footprint on biodiversity of LVMH activities, with the goal of having an actual positive impact on biodiversity.
- Since 2011, LVMH has participated in the French government's trial of environmental labeling. (See "Environmental labeling," in "2012 Environment Report" page 17.).
- 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 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.

2. Local authorities and regions :

- **Impact of the business on local communities in terms of employment and regional development :** A number of the Group's companies have been established for many years in specific regions of France and play a major role in creating jobs in their respective regions:
 - Parfums Christian Dior in Saint-Jean de Braye (near Orléans), Veuve Clicquot Ponsardin and Moët & Chandon in the Champagne region, and Hennessy in the Cognac region have developed long-standing relationships with local authorities, covering cultural and educational aspects as well as employment.
 - Sephora, which has stores throughout France (two-thirds of its workforce is employed outside the Paris region), regularly carries out a range of measures encouraging the development of job opportunities at the local level.

- **Open innovation :**

- In France, for example, staff from Louis Vuitton serve on the Sustainable Development Advisory Committee of the Greater Cergy-Pontoise District Council in connection with eco business parks. In 2012 a pilot agreement was signed to collect and recycle waste from the business parks in this urban center. Teams from the Cergy warehouses promoted their logistics site's best practices at meetings of the Versailles Chamber of Commerce and Industry (energy efficiency), the Val-d'Oise Prefecture and DRIEE [Regional and Inter-department Environment and Energy Department] (energy efficiency), and the University of Cergy-Pointoise (sustainable logistics).
- 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.

3. Research and professional exchanges with organizations :

- While LVMH’s Watches & Jewelry business group became a member of the **Responsible Jewellery Council (RJC)** in 2005, each Maison in the Watches & Jewelry business group has been an individual member of the RJC since 2011. This organization encompasses, within working groups, 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.
- In addition to its work with the Responsible Jewellery Council, the Group continues its involvement with **Business for Social Responsibility (BSR)**. In particular, it belongs to a working group set up to establish best practices in the sourcing of exotic leathers. LVMH is also continuing its involvement with the **Responsible Ecosystems Sourcing Platform (RESP)** by participating in a subworking group that focuses on the traceability of exotic leathers, colored stones and certain plant substances. In 2012, work was conducted under the auspices of the BSR on the application of “Sourcing Principles” to cattle hides and ostrich leather with the goal of evaluating the supply chain challenges for each type of skin. Since early 2012, LVMH has also been a member of the Leather Working Group (LWG), a British trade association that has established an environmental rating system for tanneries. A sub-group has been set up specifically for companies dealing in luxury goods to introduce standards in tanneries that supply the luxury goods sector.
- 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 ecosystem 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)**. In 2012, the LVMH Group, which had already financed a fact sheet at the end of 2011 prepared by the Foundation for Biodiversity Research entitled **“ABS in all its forms”**, launched an in-depth and multi-disciplinary study of its cosmetics supply channels to give the Group’s Houses an operational tool that met the obligations of the Nagoya Protocol.

- Other Maisons are also active, 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.
- LVMH also contributes to Global Compact local sustainable development initiatives through the **Ile-de-France Sustainable Development Club**. Established in 2007, this club seeks to introduce best practices to SMEs and has set up a system of second-party auditing involving representatives of companies that are comparable in terms of concerns and resources.
- In 2011, Louis Vuitton also signed a three-year sponsorship agreement with the **CNRS (France's National Center for Scientific Research)** for a project entitled "City bees - Country bees," the goal of which is to understand why bees fair better today in urban areas than rural ones. A study released in 2012 addressed biodiversity at Louis Vuitton's Cergy 1 and Cergy 3 sites (flora, birds, butterflies).


4. NGOs : [📄 See comments on Criterion 16].

5. Consumers and public :

- **Responsible consumption** : In the field of responsible consumption, the Group's Wines & Spirits Maisons are committed to responsible alcohol consumption. In 2003 Moët Hennessy adopted a Marketing and Communications Code of Conduct, which was updated in 2008. It provides clear consumption principles and complies with the Moët Hennessy Charter on responsible alcohol consumption. All employees are familiar with this charter and adhere to its principles.
 - 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 2012, Moët Hennessy stepped up its commitment to responsible drinking.
 - Its initiatives were aimed at employees, consumers, guests and visitors. An in-house campaign entitled "Responsible drinking at Moët Hennessy" and aimed at 6,500 Moët Hennessy employees was expanded around the world. It relies on training, a website promoting responsible drinking, an e-learning module and a questionnaire to enable everyone to assess their alcohol consumption privately and anonymously.
 - With regard to consumers, and in addition to strict compliance with local regulations, Moët Hennessy practices self-regulation, particularly for information and communications, such as its Code of Best Practices for Marketing and Communications, guidelines on website communication, and filtering of minors on websites. Every year, staff train hundreds of people around the world in the ritual of tasting the products, explaining their esthetic, cultural, gastronomic and historical aspects.
 - With regard to labeling, all wine bottles sold in the EU (except in France for regulatory reasons) carry the website address www.wineinmoderation.eu. Likewise, all spirits mention www.responsibledrinking.eu.
 - Lastly, Moët Hennessy is an active supporter of numerous responsible drinking programs throughout the world, such Wine in Moderation and ICAP programs. 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.
- **Product safety and customer health** : The very stringent requirement on cosmetic products guarantees the safety of our cosmetics, not just at the time they are placed on the market, but also while they are being marketed. A customer relations network has been set up so that we can review all complaints from our customers and carry out cosmetic vigilance of our products. Any complaint, whether an intolerance or a severe irritation, is reviewed by a specialized team and assessed by a professional, and may result in the consumer being offered a consultation with a dermatologist. Lastly, by analyzing these complaints and


exercising cosmetic vigilance, we can explore new avenues of research and improve the quality of our products.

- **Public :**

- Many Houses organized internal and external events involving public, partners or suppliers as part of different Sustainable Development events as the : “European Sustainable Development Week” (in April), “European Mobility Week” (in September) and “European Week for Waste Reduction” (in November).
- Drawing on their heritage and traditions, the Group's Maisons are helping to promote the knowhow of their craftsmen and employees both locally and nationally. In 2012, Louis Vuitton's workshops organized a number of open days featuring the in-house exhibition “Nature, Art and Materials.” A film promoting best practices in safety and the environment is shown to every service provider who visits the Sainte-Florence workshop in Vendée. On October 15 and 16, 2011, LVMH organized "**Special Days**" (*Journées Particulières*) during which 25 exceptional sites in France and other European countries were open to the public. In-house "**Open Days**" (*Portes Ouvertes*) featuring a presentation on environmental initiatives were also held at many of the Louis Vuitton workshops and were attended by 1,000 employees along with their friends and families. For 2013, LVMH has announced the list of 40 exceptional places that will welcome the public during *Les Journées Particulières* on June 15th and 16th.
-  See many other examples in "Events" ("2012 Environment Report" pp. 40-42).

- **Local residents :** For the renovation of La Samaritaine, various informational meetings were held before and during the clearing and asbestos removal work, as well as during the project's development phase. A "**model house**" containing all the appropriate presentation media was opened to the public and provided information about the site's history and specific features of the project's architecture. **Local residents** and the town hall of the 1st *arrondissement* were fully involved in the information and consulting process, particularly with regard to how the project would impact the Rue Baillet, which is adjacent to the La Samaritaine building.

6. Suppliers :

LVMH places a priority on maintaining and promoting stable relations with responsible partners (suppliers, distributors, subcontractors, etc.).  See comments on Criterion 2].

7. Universities and Business Schools :

Many events were organized along these lines, together with schools and universities across various professions, regions, and levels of qualification.

- **Environment :**

- As part of the five-year partnership launched in 2012 between LVMH and **CIRAIG** (Interuniversity Research Center for the Life Cycle of Products, Processes and Services, based at the Ecole Polytechnique de Montréal), Loewe is working on a project to assess the environmental performance of the leathers used in fine leather goods.
- In 2012, it co-organized with the faculty of sciences at the **University of Antananarivo in Madagascar** a “Forum on sustainable development and greater collaboration between partners”. This forum brought together stakeholders from LVMH Recherche supply chains in Madagascar and researchers from the Antananarivo Laboratory of General Pharmacology, Pharmacokinetics and Cosmetology (LPGPC). The goal was to share stories from the field, study the contribution of ethnopharmacology to conservation and sustainable development efforts, and discuss the implementation of the Nagoya Protocol and Access to Genetic Resources and the Fair and Equitable Sharing of Benefits Arising from their Utilization (ABS) in Madagascar.
- 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.

- In 2012, Louis Vuitton's Environmental Manager spoke on the topic of “Luxury and the environment : the case of Louis Vuitton” at a meeting of graduate marketing students at **French fashion and arts school, Mod'Art International**.
- **Partnerships and multiple ties with educational institutions to raise the profile of the Group’s professions** : Over the course of 2012, LVMH strengthened its appeal to leading colleges and universities, organizing more than a hundred events worldwide to promote the Group’s image and Group companies to up-and-coming talents while reaffirming its commitment to be a fully-fledged partner.
 - These events were organized in France under the auspices of the **LVMH Essec Chair in luxury goods** marketing, via organizations including the **HEC business school** in Paris with an Induction Seminar for international students. LVMH also worked with the institute Sciences Po with the award of grants for students from the West Indies, and with the **French Fashion Institute, the Ecole Duperré design school**, and other bodies.
 - The Group maintains its close relations with leading fashion schools, the **Institut Français de la Mode** in Paris, **Central Saint Martins College of Arts and Design** in London (a sponsorship agreement was signed in 2012 in order to foster the development of creative, cross-disciplinary projects at Group companies), **Parsons the New School for Design** in New York, and the **Hong Kong Polytechnic University School of Design**.
 - LVMH is a member of **CEMS (Global Alliance in Management Education)** which links international groups with leading European business schools and takes part in many actions in favor of graduates of top universities in more than twenty countries. Key Group companies give presentations on the campuses of these universities several times a year.
 - In other countries different partnerships promote the development of multi-disciplinary design projects within the Maisons :
 - in Hong Kong and Shanghai, there were **MBA** events where the Group’s Maisons could meet students from four prestigious schools ;
 - in Japan, at Waseda University with the “LVMH Chair on Luxury Branding” ;
 - in Italy with the “**Luxury Business Management Track Bulgari – SDA Bocconi**”.

ANNEX: Business & Peace

The COP describes policies and practices related to the company's core business operations in high-risk or conflict-affected areas :

☑ Management of the supply chain to avoid contributing to conflict through purchasing decisions and practices :

- LVMH is involved in different partnerships and projects aiming to develop practices in respect of the Nagoya Protocol on **Access and Benefit Sharing (ABS) for the relevant supply chains.**
 - In 2012, the LVMH Environmental Department participated in the **Convention on Biological Diversity (COP11) in Hyderabad, India**, from October 8 to 19, in a side event co-organized by LVMH, the Foundation for Biodiversity Research and Association Orée, and consisting of a presentation of the goals, methodology and expected outcomes of the impact assessment conducted by FBR researchers to analyze LVMH practices in respect of the Nagoya Protocol on Access and Benefit Sharing (ABS) for the relevant supply chains.
 - The LVMH group has endorsed the “2011-2020 National Strategy for Biodiversity” which was presented by the **French government** in May 2011. This strategy is the French rollout of the “Strategic Plan for Biodiversity 2011-2020 for the planet”, adopted by the Convention on Biological Diversity (CBD) in Nagoya in October 2010. In October 2012, the French Ministry of Ecology, Sustainable Development and Energy awarded LVMH “**National Strategy for Biodiversity Recognition**” for “improving, from upstream to downstream, the footprint on biodiversity of LVMH activities, with the goal of having an actual positive impact on biodiversity.” The SNB followed France’s ratification of the United Nations Convention on Biological Diversity (CBD). The commitment covers the period from 2012 to 2014. The first measures undertaken involve :
 - identifying priority areas for diagnosis of the impact (known or potential) on biodiversity;
 - starting an audit of these areas involving the pilot Houses that use targeted raw materials;
 - promoting and disseminating effective initiatives already under way in these areas, if they are having a positive impact on biodiversity or the population ;
 - assessing the impact of the implementation of the Nagoya Protocol on Access to Genetic Resources and the Fair and Equitable Sharing of Benefits Arising from their Utilization (ABS) for the supply channels affected.
 - In 2012, the LVMH Group, which had already financed a fact sheet at the end of 2011 prepared by the Foundation for Biodiversity Research entitled “**ABS in all its forms**”, launched an in-depth and multi-disciplinary study of its cosmetics supply channels to give the Group’s Houses an operational tool that met the obligations of the Nagoya Protocol.
 - In 2012, it co-organized with the faculty of sciences at the University of Antananarivo in Madagascar a “Forum on sustainable development and greater collaboration between partners”. This forum brought together stakeholders from LVMH Recherche supply chains in Madagascar and researchers from the Antananarivo Laboratory of General Pharmacology, Pharmacokinetics and Cosmetology (LPGPC). The goal was to share stories from the field, study the contribution of ethno-pharmacology to conservation and sustainable development efforts, and discuss the **implementation of the Nagoya Protocol and Access to Genetic Resources and the Fair and Equitable Sharing of Benefits Arising from their Utilization (ABS)** in Madagascar.
- As a reminder, the LVMH Watches & Jewelry business group has been a member of the Responsible Jewellery Council (RJC) since 2005. Since 2011, all Watches & Jewelry Houses have been RJC members. The RJC is an international non-profit organization that brings together more than 160 member companies from around the world that are committed to promoting responsible ethical, human rights, social and environmental practices **throughout the jewellery supply chain, from mine to retail**. This commitment of

stakeholders in the gold and diamond industry and ongoing dialogue between partners ensures that each step of the mining, refining, processing, and retail chain respects sustainable development challenges and criteria. The RJC has developed a certification system for members involved in the gold and diamond sectors requiring them to undergo audits by accredited independent auditors. RJC-certified Houses in the Watches and Jewelry business group are Bulgari, TAG Heuer (plus distribution subsidiaries in the United Kingdom, Japan and the United States), Hublot, Zenith, Chaumet and Fred. Bulgari, TAG Heuer, Chaumet and Fred were certified in 2011, Zenith in January 2012, Hublot at the end of June 2012, Christian Dior Couture in July 2012 and Louis Vuitton's jewelry business in September 2012.

The COP describes local stakeholder engagement and strategic social investment activities of the company in high-risk or conflict-affected areas :

Approaches to stakeholder engagement involving civil society, international organizations, etc :

See Criterion n° 21.

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