

LVMH 2013
—
ENVIRONMENTAL REPORT



LVMH
—
MOËT HENNESSY • LOUIS VUITTON

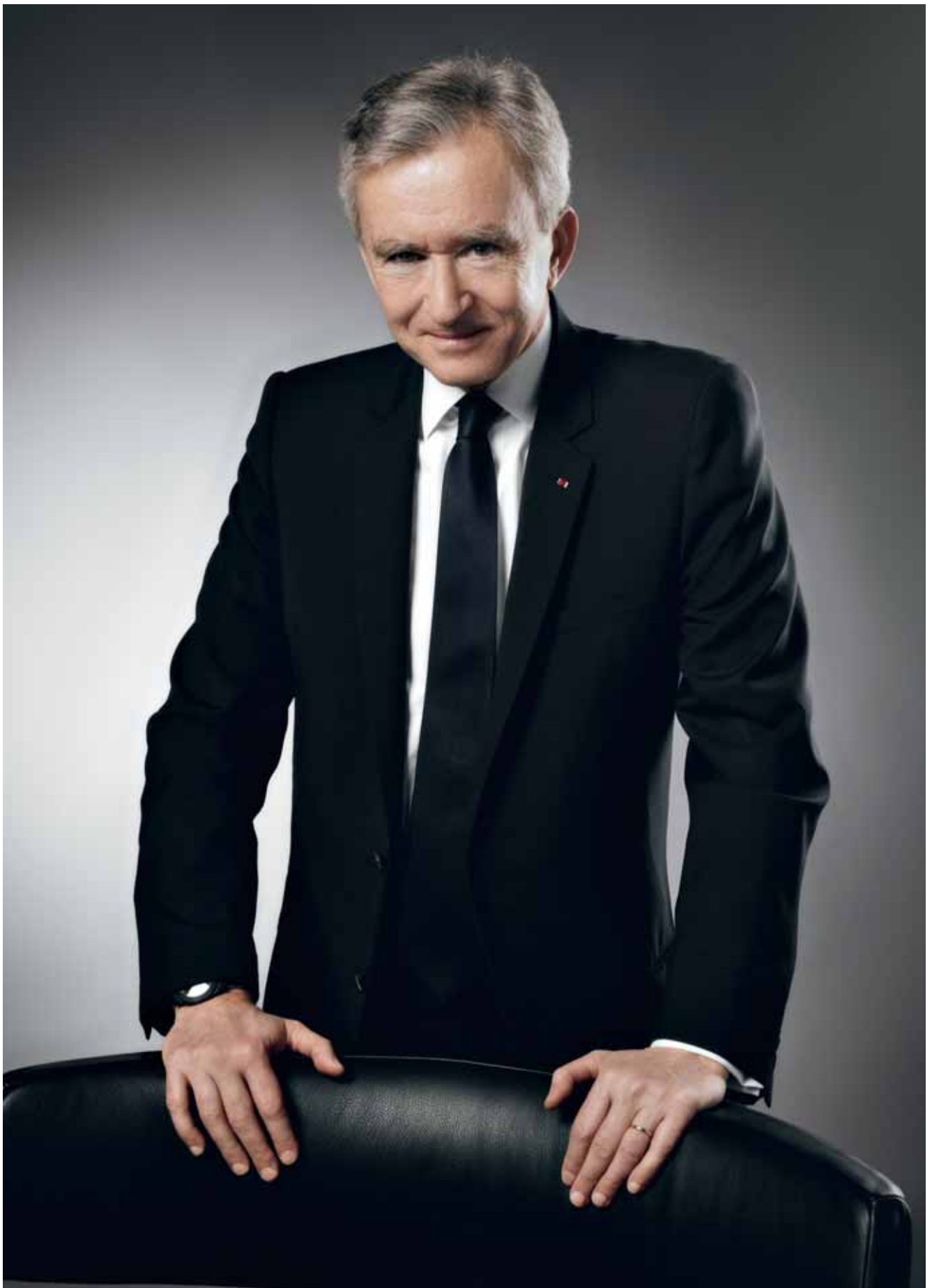


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— *Introduction*

Last year marked a real upswing in the LIFE (LVMH Indicators For the Environment) program. The aim of the program is to identify the key themes that will help to strengthen the way the Maisons and the Group are managed. Nine areas have been identified: eco-design, raw materials and supply chains, material traceability and compliance, supplier relations, reduction in greenhouse gases, environmentally-friendly manufacturing processes, product duration, customer information and protection of know-how and expertise relating to the environment. The program, which has been a work-in-progress since 2011, will be incorporated in 2014 in the strategic plans of all of the Group's Maisons.



A LONG-TERM VISION

LVMH comprises a family of iconic brands that cultivate their magic and perpetuate exceptional know-how focused on 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. The quality of our products is rooted in a truly exceptional history that specifically reflects our values of excellence, durability and the passing-on of skills. Our Maisons take into consideration the inextricably linked issues tied to our long-term strategy – respect for nature to which LVMH owes so much, our company's environmental, social and societal responsibility and the high ethical standards we share with our suppliers, customers and shareholders. This intangible capital is paramount to our future success.

...

Bernard Arnault

Chairman and Chief Executive Officer

20 YEARS OF COMMITMENT AND STRATEGIC PROJECTS



Antonio Belloni
Group Managing Director

In 2013, we were immensely proud and pleased to celebrate LVMH's twentieth year of environmental commitment. For us this was an opportunity to take all of the lessons learned from an exciting period during which we were in many cases forerunners leading other corporate sectors – never imposing a uniform model in-house and always fostering the areas of innovation specific to our five business groups. Over the past twenty years, the initiatives taken by our Maisons have turned out to have multiple facets. Each of the Maisons has identified the issues most relevant to its own territory and business lines: an HEQ workshop, an energy-efficient store, an ethnobotanical supply channel, RJC certification for watches and jewelry, maritime or electric transport, packaging that

converts to containers for refills. And the Group as a whole distinguished itself during these years: the initial environmental reporting initiative quickly progressed to the Maisons' Carbon Footprint®; in 2001, Bernard Arnault signed the first "Environmental Report" before joining the Global Compact. Twenty years have gone by, twenty years during which our society as a whole has developed an environmental conscience and high standards. These expectations demand that we now make an incremental leap in terms of quality and progress. The LIFE program (LVMH Indicators For the Environment) is our response, aimed at structuring our initiatives by grouping them around shared themes and goals. It represents a new foundation for us as well as a new departure – its purpose is to foster the creative powers of the Maisons while at the same time strengthening the links where the major issues faced by our Group intersect and converge.

In 2013, Loewe, Bulgari, Glenmorangie, Belvedere and De Beers Diamond Jewellers joined the LIFE program instituted by seven pilot Maisons in 2012. Other companies will successively follow suit.

In 2014, all of the Group's Maisons will remain actively focused on various strategic projects related to eco-design, the protection of biodiversity and raw materials, and the environmental excellence of production processes, both in-house and in association with our suppliers.

Drawing on their heritage and wealth of resources, the teams are putting environmental matters at the very core of the creative process and quality of our products, which are more than ever the major contributors to the durability of our brands.



OUR CHALLENGES AND COMMITMENTS

The Group's Maisons use exceptional and often rare natural raw materials for their products. This is one of the reasons why environmental issues have long been an integral part of the concerns of the Maisons. The design of luxury products needs to incorporate not only innovation, creativity, and excellence of execution, but also environmental performance.

These values stem from the unique heritage of our Maisons and are embodied in the expertise and commitment of the teams tasked with protecting the environment.

In 2012, environmental protection reached a new milestone when the LIFE – “LVMH Indicators For the Environment” – program became an integral part of the Group's development strategy. The decision to roll out the LIFE program in all of the Maisons by 2014 was announced by Antonio Belloni, the Group Managing Director, as a way of celebrating LVMH's twenty years devoted to the environment.

THE GROUP'S CORE VALUES

The enormous diversity of LVMH businesses is one of the Group's characteristics. It is both an asset and a challenge. Despite their marked individuality, the five LVMH business groups – Wines & Spirits, Fashion & Leather Goods, Perfumes & Cosmetics, Watches & Jewelry and Selective Retailing – are linked by a shared vision of environmental challenges, some of which apply across all sectors. In addition to shared concerns, the Maisons impact the environment in various ways and to varying degrees, depending on the sector and business line, within which operating challenges are clearly identified and managed. This is the goal of the LIFE program as described below.

COMMITMENTS MADE AND IMPLEMENTED

International charters and agreements signed by LVMH provide a framework for the initiatives led by the Group and its Maisons.

In 2003, Bernard Arnault joined the United Nations' Global Compact program and in August 2007 he also endorsed Gordon Brown's Millennium Development Goals. LVMH also supports the Universal Declaration of Human Rights, the guiding principles of the OECD, the fundamental conventions of the International Labor Organization, Caring for Climate (a program of supplementary voluntary initiatives of the UN Global Compact), the Kimberley process and the CITES conventions (Conventions on International Trade in Endangered Species). LVMH has been a member of the Responsible Jewellery Council (RJC) since 2005, and now each Maison in the Watches & Jewelry business group is RJC certified.

The LVMH Environmental Charter, signed by Bernard Arnault in 2001, defines the Group's environmental goals and processes. The Suppliers Code of Conduct (2008) and the LVMH Code of Conduct (2009) supplement and put into concrete form the commitments of the Environmental Charter by noting that compliance with national and international laws, regulations and decisions is an absolutely vital requirement if the Group's strategy is to be credible. Consequently, our Supplier Code of Conduct sets out the requirements, particularly environmental ones, which must be followed by suppliers. The third of the six key principles of the LVMH Code of Conduct is devoted to environmental protection.

In 2013, the LVMH Group was included in the following key indices based on responsible investment criteria: Dow Jones Sustainability Indices (World and Europe), FTSE4Good Global 100, Euronext Vigeo Eurozone 120, ESI (Ethibel Sustainability Indices) Europe. LVMH has also participated in the Climate Change, Water and Forest CDPs since their inception.

RECOGNITIONS AND RANKINGS

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 Minister of Ecology, Sustainable Development and Energy chose LVMH as the recipient of "National Strategy for Biodiversity Recognition" for its project entitled "Improving, from upstream to downstream, the footprint of LVMH activities on biodiversity". (See page 26.)

Other assessments and rankings which are either "unsolicited" or not part of an audit ordered by LVMH include the following:



Score of 67C/100 for CDP 2013 (65D in 2012) published in September 2013 (www.cdproject.net).



LVMH has also participated in the CDP Water Disclosure and Forest Footprint Disclosure programs since their inception. (www.cdproject.net/water and www.cdproject.net/en-US/Programmes/Pages/forests.aspx).



LVMH is a signatory to the UN Global Compact and published its CoP (Communication on Progress) at the GC Advanced Level (www.unglobalcompact.org) in November 2013.








A rating of 61.6/100 for 2012 was awarded in 2013 by the French Center for Company Information (CFIE) as part of the "2013 Annual Study on Social and Environmental Information in Corporate Annual Reports" (November 2013) (www.cfie.net).

Our challenges and commitments

BUSINESS GROUPS' MAIN CONCERNS

	<i>Wines & Spirits</i>	<i>Fashion & Leather Goods</i>	<i>Perfumes & Cosmetics</i>	<i>Watches & Jewelry</i>	<i>Selective Retailing</i>
<i>Saving energy resources and combating climate change</i>	<ul style="list-style-type: none"> • Packaging production. • Distillation. • Transportation of product shipments. 	<ul style="list-style-type: none"> • Store lighting and air-conditioning. • Transportation of product shipments. 	<ul style="list-style-type: none"> • Packaging production. • Transportation of product shipments. 	---	<ul style="list-style-type: none"> • Store lighting and air-conditioning. • Transportation of product shipments.
<i>Protecting and saving water resources</i>	<ul style="list-style-type: none"> • Water consumption (irrigation of vines in Australia, New Zealand, Argentina and California). • Production of effluents containing organic matter during wine-making and distillation. 	<ul style="list-style-type: none"> • Discharges of effluents from spinning and tanning facilities. 	<ul style="list-style-type: none"> • Protection and saving of water resources. 	---	---
<i>Protecting ecosystems and natural resources</i>	<ul style="list-style-type: none"> • Especially plant resources (vines) required for production. • Use of pesticides. 	<ul style="list-style-type: none"> • Especially plant resources (textile fibers) required for production. • Exotic leather. 	<ul style="list-style-type: none"> • Especially plant resources required for production. 	<ul style="list-style-type: none"> • Packaging. • Stones and precious metals. • Exotic leather. 	---
<i>Waste recovery</i>	<ul style="list-style-type: none"> • Wine-making and distillation processes. 	---	---	<ul style="list-style-type: none"> • WEEE (waste from electrical and electronic equipment, such as batteries). 	---
<i>Reduction in impact of production and transformation of raw materials, specifically through eco-design</i>	<ul style="list-style-type: none"> • Packaging. 	<ul style="list-style-type: none"> • Packaging. • Cotton and other textiles, leathers. • Tanning. 	<ul style="list-style-type: none"> • Packaging. • Constituents of perfumes and cosmetics. 	---	---

At the end of 2013, the LVMH Group was selected for an “unsolicited rating” in the leading indices based on ESG criteria (Environment – Social – Governance):

<p>In the annual review published in September 2013 by S&P Dow Jones Indices and RobecoSAM, LVMH was a member of:</p> <p>DJSI World</p>  <p>Member 2012/13</p> <p>www.sustainability-indices.com</p>	<p>In September 2013, LVMH was confirmed as a member of the “FTSE4Good Global 100”.</p> <p>FTSE4Good Global 100</p>  <p>http://www.ftse.com</p>	<p>LVMH has been a member of the “Euronext Vigeo Eurozone 120” index since it was launched in June 2013. This index replaced the “ASPI Eurozone” index (Advanced Sustainable Performance Indices).</p> <p>ASPI Eurozone</p>  <p>www.vigeo.com</p>	<p>LVMH is a member of the “ESI Europe” index (Ethibel Sustainability Indices).</p> <p>ESI Europe (Ethibel Sustainability Indices)</p> 
<p>LVMH was also recognized in the “Clothing, Accessories & Footwear” category in 2013 SAM Sustainability Yearbook (January 2013), as a member of the “SAM Bronze Class”.</p>	<p>On October 31, 2013, the “Ethibel Excellence” label was awarded once again by the Ethibel forum. The award is made to companies who show outstanding commitment to CSR and are eligible to be included in the SRI investment fund register.</p>		<p>ETHIBEL EXCELLENCE</p> 

SUPPORTING OUR INITIATIVES



MANAGEMENT AND EDUCATIONAL SUPPORT

The main goal of the organizational structure adopted by the Group is to involve and train staff by giving them the tools that are best suited to the different situations they encounter and that allow them to take the environment into consideration when making decisions.

AN APPROPRIATE STRUCTURE AND RESOURCES

Consistent with our history, our size as a major international group, and the very specific nature of our businesses, LVMH is both decentralized and unified. And the driving force behind our shared vision since 1992 has been the Group's Environmental Department.

Its tasks consist of supporting the Maisons in their respective initiatives, ensuring that the Environmental Charter is applied, rolling out the LIFE program, and running the Environment Committee, which arranges meetings several times a year

for a network of some fifty environmental representatives from the Maisons. The Environmental Department also steers a variety of specialist in-house working groups that deal, for example, with the European REACH regulation, eco-design and stores' energy consumption. The Maisons are not only represented in the network of correspondents from the Group's Environmental Committee – they also have their own organizations.

Each Maison has its own additional resources depending on local conditions and the type of its in-house projects. Guerlain's Sustainable Development Committee had eighteen members at the end of 2013

representing all company departments.

The Maison adopted a new logo and signature – “In the name of Beauty - Guerlain’s sustainable commitment” – intended to place sustainable development at the heart of its partnership and communication initiatives. A specially dedicated promotional campaign was set up, rolled out through a monthly event and through the publication in June 2013 of a special edition of the in-house magazine *Être Guerlain* devoted to the Maison’s commitment.

In the same vein, Louis Vuitton has a Sustainable Development Committee responsible for organizing its strategy, and has acquired a platform of close to a hundred direct and indirect correspondents (headquarters, workshops, zones) which has progressively expanded and become more professionalized over the past few years. Various steering groups have been established focusing on specific topics, including in North America and Asia: recycling, energy, corporate communication, events, environmental taxes, and ISO 14001 certification. In 2013, in Japan, as in certain Southern European countries (including Italy and Switzerland), New York and China, a network of “CSR ambassadors” has been created. In addition, a “China environmental policy” was signed by the Chairman of the Northern Asia region. Depending on the particular country involved, correspondents for each store have been appointed. For example, in China and Italy, a network of “Green Advisors” has been set up in the Louis Vuitton stores. An introductory seminar was held in Milan on March 6 and 7, 2013 during which a common action plan was adopted for all stores and quarterly reporting was instituted. The “Let’s go green” toolbox was developed and disseminated as part of this strategy. A quantitative and qualitative reporting guide was also developed, allowing correspondents from all geographic regions to share best practices.

Since they are so closely attuned to local conditions, most Maisons have enhanced their environmental strategy. For example,

the Management Committee of Make Up For Ever reaffirmed its commitment to the environment in early 2012 by formalizing its environmental policy and officially launching the ISO 14001 certification project with all employees.

In 2013, the Maison set up an in-house blog for staff that allows them to share environmental best practices among the French sites.

Some Maisons publish their own sustainable development or corporate responsibility reports for internal or external use. Loewe published an initial document showcasing the vision and goals of its sustainable development program for the next few years.

Customers can access this document online, and it has been distributed to all employees worldwide as well as to strategic suppliers. Other Maisons such as Hennessy and Louis Vuitton have dedicated CSR pages on their intranet and internet sites highlighting their various environmental policies and initiatives.

IN-HOUSE TRAINING

The Group’s Maisons continue to provide staff with training and education about the environment. In 2013, more than 20,004 training hours were devoted to this purpose (versus 17,766 in 2012). The latest initiatives under way vary widely. Following the initiatives of 2012, which were devoted to the issues of biodiversity and implementation of the Nagoya Protocol, the Group instituted an in-house training module on January 31, 2013 on the topic of “Biodiversity: from theory to company case-studies”.

The Group set up environmental audit and ISO 14001 training sessions which Make Up For Ever and Guerlain in particular took advantage of. For example, at a session held in February 2013, 90 Make Up For Ever employees received ISO 14001 information and training.

The network of 29 environmental liaison officers at the Saint-Jean-de-Braye site of

THE GROUP’S TWENTY-YEAR ENVIRONMENTAL COMMITMENT

On October 17, 2013, the LVMH Group celebrated twenty years of environmental initiatives in the presence of 250 sustainable development experts from within and outside the Group. During this event, the Group reported on the progress made over the last two decades and set challenges for the coming years. Antonio Belloni, Group Managing Director, noted that “the luxury sector is inherently aware of the environment and LVMH takes this environmental concern to heart”. Among the Maisons represented in the three round table discussions, Laurent Boillot (Chairman of Guerlain), and Jacques Mantz (Chief Financial Officer of Moët Hennessy) shared their views concerning the topic of sustainable supply chains. The subject of innovation and environmental creativity was then addressed by Claude Martinez (Chairman of Parfums Christian Dior) and Chris de Lapuente (Chairman of Sephora). At the final round-table discussion, Lisa Montague (Chairwoman of Loewe) and Éric Pradon (Chief Financial Officer of Louis Vuitton) shared their vision of how sustainable development can drive management and corporate culture. Outside guests included Eva Herzigova, Parfums Christian Dior ambassador, who talked about her commitment to sustainable development and collective awareness of the issue, and, bringing the discussions to a close, Gilles Bœuf, chairman of France’s Museum of Natural History and holder of the sustainable development chair at the Collège de France.



IN-HOUSE TRAINING IN BEST PRACTICES

At the end of 2012, Loewe created an e-learning module on sustainable development, available in Spanish, English, Japanese and Chinese. In 2013, this tool won best international project prize at the “Cegos, Teams & Talent Awards” event. An action plan aimed at improving the sustainability of its everyday purchases was also rolled out. Each department’s energy consumption has been analyzed and a “green catalog” has been produced to meet team needs.

Parfums Christian Dior became professionalized and attended a full 35-hour training program as part of ISO 14001 certification. The Maison revamped its in-house “environmental safety” booklet. The Champagne Maisons also continued with the environmental training of their in-house liaison officers and auditors at a dual event involving visits to the Greenfield paper recycling plant at Château-Thierry and to Moët & Chandon’s terraced vines at Jaulgonne. Guerlain considers the training of new in-house auditors to be a particularly crucial issue that will strengthen audits and result in cross-communication of what is learned. This ISO 14001 training goal is aimed at a very wide range of participants in the case of Louis Vuitton: in 2013 training was provided to 110 new entrants at the headquarters, 339 members of staff from the Saint-Pourçain-sur-Sioule workshop (i.e. nearly 60% of the workforce) and the entire workforce at the Ardèche workshops in Sarras. The leatherworkers at the Barbera workshop in Spain received 100 hours of ISO 14001 training. Finally, all staff at the warehouse and repairs workshop in China attended ISO 14001 certification training sessions. Over the year as a whole, seven new in-house auditors received training in China. Guerlain’s awareness and training initiatives are a concrete reflection of what happens on a daily basis, whether training all new employees on all the sites that are being certified or developing themed training courses on a quarterly basis to help store employees meet customer expectations. By participating in making all employees more aware, “sustainable development coordinators” are key players who also have to be supported in special training sessions. In 2013, for instance, all facets of the key topic of biodiversity were examined: raw materials, initiatives established at sites, regulatory aspects, and sponsorship.

Louis Vuitton has made the regular holding of environmental focus groups more widespread in all its workshops.

New content is continually being added to the environmental sections of many local intranets worldwide. For example,

the Japanese “CSR netblog” is updated on a regular basis with best practices. In 2013, a seminar for production/logistic environment correspondents, devoted to chemical substances, was held jointly with Guerlain at its Orphin site. The decentralized network of environmental correspondents is carefully structured. To strengthen the level of environmental awareness, the Environment Department, along with the École des Savoir-Faire Leather Goods [Leatherworking School], has developed entertaining tools such as a new innovative role-playing game that can involve multiple in-house stakeholders in France. In the same vein, a pilot version of the eco-design initiation module was set up with rolling luggage teams and resulted in various suggestion boxes and data sheets; this training will progressively be rolled out to all products.

EVENTS

LVMH partnered with the European Commission for the 13th edition of Green Week, which was held in Brussels between June 4 and 7, 2013. The focus was on four specific topics – energy, water, transportation and recycling – showing the commitment LVMH has had over the past twenty years.

Themed data sheets were sent to 60,000 Group employees. “French Sustainable Development Week,” held between April 1 and 7, 2013, is a major annual meeting and an opportunity for a large number of the Group’s Maisons to showcase their commitment to sustainable development.

The Champagne Maisons dedicated this event to the topic of energy transition by presenting various initiatives aimed at reducing consumption. Employees had the opportunity at this event to try out Zoé, the first all-electric car.

An in-house email address was launched, allowing employees to submit suggestions and comments concerning sustainable development.

As an extension of the World Water Day, a number of initiatives were rolled out by Hennessy. Most notably, these included

“Run of the River” tales aimed at school-children, and a guided visit of REVICO, a plant that processes distillation waste using methanization.

A special awareness day was also held for viticulture partners as a way of showing them various initiatives aimed at protecting the quality of the water from the drainage basin of the Né and its tributaries, in partnership with the Chamber of Agriculture for the Charente region.

Another example is that of Make Up For Ever, which held its second “For Ever Week”. In 2013, the week focused on responsible waste management. In dealing with this issue, the Maison relied considerably on its commitment to bringing employees together for a common cause, and on its artistic values.

In March 2013, it was suggested that employees collect their used makeup products and recycle them at special workshops. Employees at the Paris and Gennevilliers sites took turns over a four-day period using obsolete products to create an artistic work representing Make Up For Ever.

An eco-friendly lunch and waste management awareness session were held

on the same day, based on the three Rs: “Reuse, Recycle and Reduce”.

Finally, in the case of Louis Vuitton, Sustainable Development Week was an opportunity to highlight best practices in terms of mobility and to design a biodiversity event in partnership with the League for the Protection of Birds (LPO) at the Sainte-Florence workshop in Vendée. In support of European Mobility Week, which was held September 16 to 22, 2013, various Maisons such as Guerlain organized initiatives with the aim of making their employees more aware of the need to reduce CO₂ emissions in transport and travel. (See “Transport” in the “Energy Management” section on page 40.)

PUBLIC AWARENESS CAMPAIGNS

Drawing on their heritage and traditions, the Group’s Maisons help promote the know-how of their craftsmen and employees both locally and nationally by trying to increase people’s understanding of the environmental challenges of the Group’s various businesses.



PROTECTING KNOW-HOW

LIFE

Protecting know-how is one of the nine key areas of environmental performance adopted in the LVMH LIFE program.

Know-how is a key strength and characteristic of the luxury goods business. Some types of know-how are directly associated with the environment, such as sustainable viticulture and ethnobotany.

This also applies to methods of farming and harvesting plants used in perfumes and cosmetics, specific tanning methods, and so on. It is absolutely essential that the Group’s Maisons preserve and pass on this know-how.

They conduct strategic reviews on a regular basis.



The Hennessy Sarrazine cooperage.

On June 3, 2013, in its store in the rue de Sèvres, Paris, Guerlain organized an evening dedicated to sustainable development. The event brought together a wide array of stakeholders – representing other sectors and types of businesses, journalists, associations, partners, and bloggers – to share their thoughts about the actions taken over the past six years as part of the Maison’s sustainable development strategy. June 15 and 16, 2013 saw the second edition of the Group’s “Journées particulières de LVMH”. Over 120,000 visitors had the opportunity to go behind the scenes at 42 flagship locations of the LVMH Group companies and meet hundreds of artisans.

The Sarrazine cooperage participated in the “Woods & Forest, the natural choice!” exhibit which was held September 14 to 22, 2013 at place du Palais-Royal in Paris. The Sarrazine cooperage in Cognac is responsible for the manufacture, maintenance and repair of the barrels containing the Hennessy cognac. Sarrazine offered demonstrations

of its cooperage skills at that event, which was part of the European Heritage Days.

THE KEY PROCESSES OF MANAGEMENT AND CERTIFICATION

INVESTMENTS TO PROMOTE THE ENVIRONMENT

The seriousness with which the LVMH Group takes account of its environmental challenges is reflected in the investments made by the Maisons. In 2013, expenditures directly related to environmental protection totaled €17.3 million: €10.6 million for operating expenses (versus €9.7 million in 2012) and €6.7 million for investment (versus €6.4 million in 2012). This consolidated amount for environmental expenditure does not include all the other investments that contribute to reinforcing the Group’s commitment towards the environment

such as additional costs associated with the high environmental quality of buildings, training and technical support of in-house teams, environmental sponsorship initiatives, external partnerships, etc. Environmental expense items were recorded in the financial statements in accordance with the recommendations of the opinion of the National Accounting Board (CNC).

Operating expenses and investments were carried forward for each of the following items:

- protection of the ambient air and climate;
- management of waste water;
- management of waste;
- protection and clean up of soil, underground water and surface water;
- combating noise and vibrations;
- protection of biodiversity and the landscape;
- protection against radiation;
- research and development;
- other environmental protection operations.

MANAGING COMPLIANCE AND RISK PREVENTION

The system of internal control and risk management is based on a common methodology and a single set of standards for which the LVMH holding company coordinates deployment Group-wide.

Since 2004, the Group has had a risk mapping tool that systematically identifies its industrial, environmental and operational risks based on a common standard. Risks are ranked in order of priority. Reducing the frequency and severity of risk is achieved through preventive action, internal control, business continuity planning and operational action plans. Of the control and monitoring actions implemented, the following three areas will be discussed.

INDUSTRIAL SITES

As part of its production and storage operations, the Group is exposed to accidents such as fires, floods and natural disasters. In order to identify, analyze and

deal with its industrial and environmental risks, the Group relies on a combination of external skills and qualified professionals within the Group companies, particularly the safety, quality and environmental officers. In consultation with its insurers, LVMH takes what is known as the HPR approach (highly protected risk) with the aim of significantly reducing the risk of fire and consequential business interruption.

The Group therefore pays particular attention to the risks related to the storage and transportation of raw materials. The Group companies are audited on a regular basis, by external third parties, insurers, and in-house auditors, allowing them to keep their compliance monitoring plan up to date. In 2013, 31% of the 239 manufacturing, logistics or administrative sites were audited, i.e. 64 external and 102 internal audits, with some sites being audited several times during the year. This figure does not cover the many compliance audits pertaining to a specific aspect of environmental regulation, such as the monitoring of waste sorting, performed periodically by Group companies at their sites.

PRODUCTS

Product-related risk is prevented by strengthening safety and traceability. The HACCP (Hazard Analysis Critical Control Point) method is used in the Wines & Spirits and Perfumes & Cosmetics business groups. This makes it easier to anticipate product recall and improve response times. A legal watch has also been set up to guard against liability risk, particularly the kind which may affect the Group's brands.

With regard to the safety and quality of Perfumes & Cosmetics products, the LVMH Group is particularly vigilant when it comes to compliance with regulatory documents. (See "Material traceability and compliance" on page 29.)

SUPPLIERS

With regard to 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 "Environmental and social responsibility of suppliers and subcontractors" on page 32.)

ENVIRONMENTAL MANAGEMENT

One of the key requirements of the Environmental Charter adopted by the Group in 2001 is for each Maison to establish an environmental management system as part of a management-driven policy. For most Maisons, the management strategy includes obtaining environmental certification.

ISO 14001 CERTIFICATION

At the end of 2013, 43% of industrial, logistics and administrative sites were ISO 14001-certified.

ISO 14001 certification was renewed for Parfums Christian Dior in 2012 for all of its sites, notably the one at Saint-Jean-de-Braye. LVMH Fragrance Brands likewise began an ISO 14001 certification process for its Beauvais and Vervins production plants, aiming to achieve certification by the end of 2014. The Maison provided ISO 14001 certification training to the management staff at its industrial sites and to all those involved in the project groups. And ISO 14001 certification has been an integral part of all of Guerlain's sustainable development strategy since 2011. All of the Guerlain France businesses are now certified – the Chartres site, the headquarters in Levallois, the Paris stores, and, since June 2012, the Orphin production site. Guerlain's aim now is to extend this approach to all its establishments and to its 24 subsidiaries worldwide.

As of 2013, the ISO 14001 certification strategy was launched in the German subsidiary, and the Guerlain Belux subsidiaries (Belgium and Luxembourg) and Guerlain Japan were certified. In July 2013, Make Up For Ever's operational sites at Gennevilliers were awarded ISO 14001 certification. The key strengths of this approach include

the significant involvement and motivation of Management, the environmental steering teams and the ISO 14001 working group, in addition to the ongoing quest for improved environmental performance and the tangible results already obtained (wastewater, waste, energy, reduction of greenhouse gases). As regards the Wines & Spirits Maisons in 2013, Bodegas Chandon achieved ISO 14001 certification for all of its sites. In 2013, Maison Hennessy's ISO 14001 and ISO 22000 certifications were renewed. Since Hennessy was the first company in the Wines & Spirits business group to be ISO 14001-certified in 1998, this renewal shows that the momentum behind the environmental management system is still a priority and that continued improvement remains a key concern.

With regard to Louis Vuitton, the ISO 14001 certification strategy is ongoing and involves both its sites and workshops and its supply chain.

As part of the plan to obtain ISO 14001 certification for the leather workshops, Louis Vuitton met the requirements of the various monitoring, level and certification audits, most notably achieving certification of the Southern Europe and Dubai warehouses, certification of the Saint-Pourçain-sur-Sioule workshops and obtention of level 2 certification for the workshops in Ardèche. The Louis Vuitton headquarters in New York was awarded ISO 14001 certification pending its roll-out in all the international regions. In 2013, Louis Vuitton also achieved ISO 14001 certification of all entities involved in the leather goods and accessories supply chain, ranging from the workshops right through to the stores. This performance strategy involves many parties: the in-house teams, all of the central and regional warehouses and naturally all the shippers. Louis Vuitton developed a tool for quantifying CO₂ emissions caused by the transportation of its products, and this tool will eventually allow accurate targets to be set for reducing the environmental impact of shipping. The ISO 14001 certification of the warehouse and repair workshop in China resulted in an environmental commitment being

signed by all Louis Vuitton's logistics partners in China and also led to concrete steps being taken to reduce the weight and volume of packaging.

CERTIFICATIONS OF THE WINES & SPIRITS MAISONS

Various Maisons in the Wines & Spirits business group, such as the Champagne and Hennessy Maisons, have implemented a large number of additional certifications. This is also true for the Belvedere distillery in Żyrardów, Poland, which since 2007 has developed a comprehensive certification system that combines the ISO 14001, OHSAS 18001 and ISO 22000 standards as well as the HACCP method. When it comes to food safety management, the entire Champagne-Cognac-Vodka division is ISO 22000-certified, a certification that aims to standardize food safety management practices and guarantee maximum safety for the customer. Having adopted a new environmental policy in 2011 for managing their vineyards and obtained Napa Green Winery certification, in 2012 Domaine Chandon California and Newton in California focused on the Napa Green Certified Land program, which seeks to protect watersheds in Northern California.

The program is designed to protect habitats through sustainable farming practices, ecosystem protection, soil restoration

projects, and measures to combat erosion as well as energy savings and waste reduction. The certification was achieved by Domaine Chandon and Newton. Both these Maisons also won ISO 14001 certification in 2013.

BUILDING STANDARDS

Most of the LVMH Group's construction or renovation projects, whether industrial sites, warehouses, stores or administrative offices, now incorporate environmental criteria.

For construction, renovation and building operation, the Maisons apply various standards and certifications such as HQE®, BBC, BREEAM and LEED. In the last ten years, more than thirty buildings have been built to these standards which include both environmental and social components.

Various different construction and refurbishment operations were pursued during the year. Sephora is implementing a number of standards and certifications. To recap, Sephora won BREEAM and HQE® certifications in 2012 for its store in the La Chapelle-Saint-Luc shopping center near Troyes, and for the store in the So Ouest shopping center in Levallois. Sephora also collaborated with Unibail-Rodamco in implementing BREEAM certification as part of a new retail concept. For the

ISO 14001 CERTIFICATION OF MAKE UP FOR EVER

Certification was officially awarded on September 5, 2013 in the presence of Nicolas Cordier, Chairman and Managing Director, Mounia Hadjidi, Head of Human Resources, Sébastien Decubber, Director of the Supply Chain, and all those involved in the project group.





Moët & Chandon's HQE® fermenting room at Mont-Aigu.

past decade or so, Louis Vuitton has also done all it could to construct its buildings sustainably. As a result, it has developed expertise in environmental performance relating to construction, energy and water management, and the comfort and health of its employees.

Both the Hong Kong and Singapore warehouses were LEED-certified by the end of 2013. The LEED-EB OM (LEED for Existing Building – Operations & Maintenance) certification process for the Cergy 3 warehouse is about to be finalized, and the San Dimas workshop in the United States is also in the course of being LEED-certified. More generally, in 2013, Louis Vuitton established a working group with the Real Estate Department with the aim of anticipating the ideal characteristics of future sites, in the light of production developments and constraints relating to heat recovery from cutting machines, sound-proofing, runoff water recovery and insulation.

As regards the Wines & Spirits business group, following the “completion” audit, Moët & Chandon's Mont-Aigu fermenting room in Oiry, in the Champagne-Ardenne region, received the official pilot operation certificate from Certivéa in 2013 for the “HQE® industrial buildings” process. Of the

fourteen targets specified, nine were classified as “very efficient” and five as “efficient”. To optimize use of this new equipment, the Champagne Maisons launched the training program “QSE best practices on the Mont-Aigu site” for operators starting at the new site.

Construction of the Louis Vuitton Foundation museum in the heart of the Bois de Boulogne was launched in 2004 with the architect Frank Gehry, and continued as planned in 2013. The project is expected to be completed in the first quarter of 2014. Development of the surrounding areas will continue until July, with the opening of the museum scheduled for the fall of 2014. The project applies the highest standards and technologies and, as a pilot operation, is helping to extend the HQE® standard to the “Cultural Buildings” category. The completion audit is expected to happen in 2014. Numerous architectural features make this project an exemplary one: geothermy operational in 2013, and materials that have the NF Environnement label and the European eco-label.

In terms of waste management, there are five sorting facilities for jobsite waste with very high targets for recovery and recycling. Water and electricity consumed by jobsite trailers and by the site itself have been

HIGH ENVIRONMENTAL QUALITY BEST PRACTICES

- Guerlain is continuing work on its future production unit, known as La Ruche (“the Hive”), which is scheduled for completion in 2014 in the center of the Jardin d’Entreprises in the urban municipality of Chartres. The site is to be HQE®-certified as “excellent” by incorporating the full range of criteria for that level: an energy-efficient building, solar-powered hot water, Canadian well for cooling offices, rainwater recovery, recovery of energy from manufacturing processes, parking that has electric charging stations, and minimal environmental nuisance. Hives and pollen producing plants will be established at the site, bringing to mind Guerlain's iconic bee emblem.
- Guerlain's flagship store at 68 avenue des Champs-Élysées in Paris reopened its doors in November 2013 after a year of refurbishment work. The store won ISO 14001 certification, as all the Guerlain stores did in 2011, and was “HQE®-renovated” during the project. In this case too, the operation incorporates various high standards in terms of organization, comfort and safety, minimal environmental nuisance, site waste recycling rates, selection of French woods from sustainably managed forests (FSC or PEFC certification), paint with minimal emission of volatile organic compounds (VOCs) and control of energy consumption.



The Louis Vuitton Foundation museum.

closely monitored since the project began.

To educate workers and staff a newsletter (*Journal HQE*) is circulated and information is posted covering various aspects of the HQE® approach. In an effort to monitor the environmental characteristics of the materials used on the site, more than 600 approvals have been granted for the relevant products. Monitoring is reinforced by monthly visits focusing on environmental protection measures. Finally, the Carbon Footprint® of the jobsite is updated as work progresses.

In developing and managing the site, the project pays close attention to safeguarding green areas. Because of its transparency and the way it reflects the light, the building fits harmoniously into its environment.

The architectural plan to renovate the Samaritaine department store, which began in 2011, is very much in line with an innovative and extremely rigorous environmental strategy which has enabled it to obtain various labels and certifications and meet the goals of the Paris Climate plan. The design includes the construction of a 70,000-m² complex comprising a hotel, a department store, social housing, offices and a sixty-cot children's daycare center.

It reflects a strict approach to urban ecology and includes:

- the “Tertiary building – HQE® office process” and “HQE® retail premises” certifications and the BBC label for offices and retail premises;
- the “Heritage, habitat and environment” standard and the British and American BREEAM and LEED standards for the offices, retail premises and hotel;
- the French high energy performance label BBC-Effinergie/rénovation logements for the housing.

Work to demolish part of the Rivoli building began in 2013 before starting the main work scheduled for 2014. Regular meetings are held with the local residents. A telephone number allows them to contact the site manager directly. Appropriate measures have been implemented to ensure the site is managed correctly: real time measurement of the level of sound and vibrations, with steps taken immediately if the thresholds are exceeded, customized tarpaulins and spraying to prevent dust, control of any risk relating to asbestos and lead, selective sorting with a minimum 80% recycling target, tracking documents for fully recycled waste.

On April 26, 2012, the project was awarded “Tertiary buildings – HQE® process” and NF380/12/889 certifications for the “planning” phase of its reconstruction.

In September 2012, the project was also LEED Gold-certified under the “Core and Shell Development Program” for the retail premises, day-care center and offices.

RESPONSIBLE JEWELLERY COUNCIL (RJC)

The Watches & Jewelry business group has been a member of the Responsible Jewellery Council (RJC) since 2005. The organization includes more than 160 international companies in the sector committed to promoting ethical standards, human and social rights, and environmental practices throughout the entire supply chain, from the mine through to the point of sale. 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. Between 2011 and September 2012, all of the Watches & Jewelry Maisons obtained RJC certification. 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), De Beers Diamond Jewellers, Zenith and the jewelry business of Louis Vuitton.

PROJECT PARTNERSHIPS AND PROFESSIONAL COLLABORATION

Aware of the advances that can be made through holding discussions and collaborating with others, particularly in environmental matters, LVMH makes a point

of forming a variety of partnerships with national and international non-profit organizations, local authorities and educational institutions.

The Group and its Maisons are involved in a number of technical projects that contribute to their local authority expertise and to environmental discussions with other business leaders.

INITIATIVES OF GOVERNMENTS AND INTERNATIONAL INSTITUTIONS

After signing on in 2011 to the National Strategy for Biodiversity 2011-2020 (SNB), which was presented by the French Government on the eve of World Biodiversity Day on May 22, 2011, LVMH won National Strategy for Biodiversity recognition in October 2012 from the French Minister of Ecology, Sustainable Development and Energy for its project “Improving, from upstream to downstream, the footprint on biodiversity of LVMH’s activities”.

In 2013, a review of the ethnobotanical supply chains was begun by the Foundation for Biodiversity Research (FBR). This study entailed a critical appraisal of the sustainable development initiatives implemented by LVMH Perfumes & Cosmetics Research based on the commitments made pursuant to the Nagoya Protocol. The practical analysis resulted in recommendations concerning two suppliers in Madagascar and Burkina Faso. A summary published by the FBR will be published for the general public.

Since 2011, LVMH has participated, with Sephora, in the French Government’s trial of environmental labeling. (See the paragraph referring to “environmental labeling” on page 22.)

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



HÉLIOS ENCOURAGES “OPEN INNOVATION”

In November 2013, the LVMH Group officially opened Hélios, its new research center on Parfums Christian Dior’s site in Saint-Jean-de-Braye.

Designed by architectural firm Arte Charpentier, this triangular-shaped center is composed of six buildings with a large central atrium.

At the cutting edge of technology, this LVMH flagship in the Perfumes & Cosmetics sector has been HQE®-certified. Hélios allows LVMH Research to gain a firmer foothold in the heart of Cosmetic Valley, a region that includes many different areas of skills in the perfumes and cosmetics sector. Alongside public and private stakeholders, LVMH’s research and development division is helping to perpetuate a tradition of innovation in the area.

SOCIETAL BEST PRACTICES

Since 2007, Edun has supported the Conservation Cotton Initiative Uganda (CCIU) program whose purpose is to support farmers in northern Uganda in implementing sustainable cotton growing practices. This essentially involves supporting organic cotton production, safeguarding local ecosystems and ensuring adequate income for local populations.



Bulgari's high-end jewelry workshop.

information to the general public, and increase the percentage of material that is recovered and recycled.

LVMH also contributes to Global Compact local sustainable development initiatives through the Île-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.

REGIONAL AND LOCAL AUTHORITIES

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 various topics such as waste, energy and eco business parks. In 2013, the Maison participated in organizing a network of SMEs-VSMEs formed at the behest of the Val-d'Oise Chamber of Commerce

and Industry as part of the Plato networks.

In partnership with the city and local farmers, the Belvedere distillery, located in Żyrardów, set up an Environmental Protection Foundation. In 2013, the Foundation continued its support of the "Żyrardów – Garden City" project linking green areas (forests, gardens and parks) to the town center. The 5.8-hectare Ditrich park underwent a major renovation, including a river canal, an area of new trees, and an architectural upgrade. The LVMH Group is represented extremely well in Cosmetic Valley, located in three regions around the French capital. This is a unique technical zone in France which became a competitiveness cluster in 2005 and is now the world's leading center for perfume and cosmetics resources. The Maisons can take advantage of the very latest advances made by LVMH Perfumes & Cosmetics Research. Founded in 1981, the organization enables the Maisons to be completely independent as they develop the formulas and compounds of tomorrow, which are respectful of men, women and the planet as a whole. In 2013,

LVMH Research consolidated its foothold in Cosmetic Valley with the creation in Saint-Jean-de-Braye of Hélios, an 18,000-m² campus dedicated entirely to creation and innovation.

NON-PROFIT ASSOCIATIONS AND RESEARCH BODIES

In order to strengthen the methodological discussion of the environment and biodiversity, the LVMH Group is a member of the non-profit association Orée and the institute Inspire, and is vice-chair of the Strategic Policy Committee of the Foundation for Biodiversity Research (FBR).

The Group is involved on an ongoing basis in Business for Social Responsibility (BSR), primarily as part of a working group to implement best practices in the sourcing of leathers, and in the Responsible Ecosystems Sourcing Platform (RESP) by participating in the working subgroups dealing with the traceability of exotic leathers, colored stones, wool and certain plant species. Since 2012, LVMH has also been a member of the Leather Working Group (LWG), a British industry association which

has a system that gives environmental ratings to tanneries and assesses the traceability of hides.

Bodegas Chandon, as part of the Wines & Spirits business group, 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 sustainability indicators most relevant to the wine industry in terms of water and energy consumption. In Poland, Belvedere has been partnered since 2005 with the University of Technology in Łódź with the goal of rewarding the best dissertations in the field of biotechnology and conducting collaborative scientific research leading to training and employment contracts.

LVMH continues to make regular presentations to major business schools (ESSEC and HEC) and universities about the environmental challenges faced by its business groups and operations. In 2013, Louis Vuitton’s Environment Officer spoke about “Luxury and the environment: what happens at Louis Vuitton” at a conference organized by the Design, Luxury and Innovation degree course at the University of Marne-la-Vallée.



PARTNERSHIPS FOR BEES

For several years, the Group’s Maisons – particularly Chaumet, Guerlain and Louis Vuitton – have been supporting bee protection initiatives in partnership with the Terre d’abeilles non-profit association, the Ouessant Black Bee Conservatory (ACANB), the Île-de-France Black Bee Conservatory (CANIF) and the CNRS. (See under “Safeguarding access to responsibly sourced raw materials and protecting biodiversity at the outset” on page 24.)

AN ORIGINAL ENVIRONMENTAL SPONSORSHIP PROJECT

In February 2012, the National Forests Office (ONF) and Moët Hennessy, the LVMH Wines & Spirits business group, signed a three-year environmental sponsorship agreement for the protection of the biodiversity and sustainable development of the Montagne de Reims state forests in the Marne region.

The program is being conducted near two of Moët Hennessy 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.

In 2013, members of staff from the Champagne Maisons participated in guided tours organized by ONF foresters in the forests of Hautvillers and Verzy; the topic was "Forest management and forest ecology". On May 2, 2013, the Abbaye d'Hautvillers, one of Moët & Chandon's properties, was the site for the signing of the Exceptional Forest® memorandum of understanding, heralding future recycling initiatives in the region.

ENVIRONMENTAL SPONSORSHIP AND NGOs

The Group's Maisons are forming various partnerships with environmental NGOs. TAG Heuer is continuing its partnership begun in 2009 with Leonardo DiCaprio to raise funds for the Natural Resources Defense Council and Green Cross International. The ties between TAG Heuer and the environment have continued to grow in recent years. To celebrate its 150th birthday, the watchmaker had already demonstrated its involvement in researching alternative modes of transport, with the first round the world tour in a fully-electric car. A historic partner of Formula 1, TAG Heuer is now engaged in promoting Formula-E, its electric offshoot; the first world championship will be held in 2014.

In the wake of the earthquake and tsunami in Japan on March 11, 2011 and quite separately from the donations made to the Japanese Red Cross for populations affected by disasters, Louis Vuitton has decided to support various projects in Japan. Since 1989, Shigeatsu Hatakeyama, an oyster farmer from the prefecture of Miyagi, and his non-profit association have been helping to improve the water in the rivers. This initiative was an effort to purify the sea water in the region where his oysters are farmed by deciduous trees. Following the destruction of Mr. Hatakeyama's operation, Louis Vuitton is helping to rebuild the oyster beds destroyed by the tsunami and is providing another two years of assistance for the project.

As part of the "Shigeru Ban" project known as the "Louis Vuitton Forest" project, Louis Vuitton has financed the purchase of a forest located in Japan's Nagano region.

As well as assisting the oyster farmers of the city of Kesennuma (in the Miyagi prefecture), and helping in the construction of the "LVMH Kodomo Art Maison" in Soma (Fukushima prefecture), the Group has also been involved in rebuilding the community center in Yamada-machi (Iwate prefecture), which was completely destroyed

in the 2011 earthquake. On April 18, 2013, after seven months of work, the center, the very heart of local community life, was officially opened.

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 headquarters, 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 in 2012 during the dismantling of the Louis Vuitton/Marc Jacobs exhibition at the Museum of Decorative Arts.

In 2013, a partnership was signed between its New York equivalent, Material for the Arts, and the Louis Vuitton headquarters in New York. The partnership included a collection and education initiative during Earth Day on April 22, 2013.

Many of the Maisons are conducting initiatives that actively involve their staff. One example is the Louis Vuitton headquarters for the Latin America region – it is donating IT equipment to local non-profit associations (cables, office supplies and computers, landline phones and mobile phones). The same applies to other types of material such as leathers and textiles for schools or non-profit associations which reintegrate people into society through work, and spools of thread for non-profit associations that support local crafts. Louis Vuitton also supports various projects such



Louis Vuitton: beach clean up campaigns.



Louis Vuitton: beach clean up campaigns.

as the campaigns to clean up beaches on the islands of Hawaii, Saipan and Guam – notably in partnership with the service provider CTSI Logistics. Yet another example is the One Million Trees project, launched in 2007, which aims to plant one million trees in ten years throughout the five boroughs of New York City. In November 2013, Bodega Numanthia launched a project to protect the pine and oak forests surrounding its vineyards with the goal of reducing its carbon footprint and replanting new plots of land, strengthening protection against fires and protecting biodiversity, while at the same time improving the quality of the landscape and developing spaces for people to hike and gather mushrooms.

THE MOMENTUM IN THE LIFE PROGRAM



INCORPORATING ENVIRONMENTAL CONCERNS INTO DESIGN



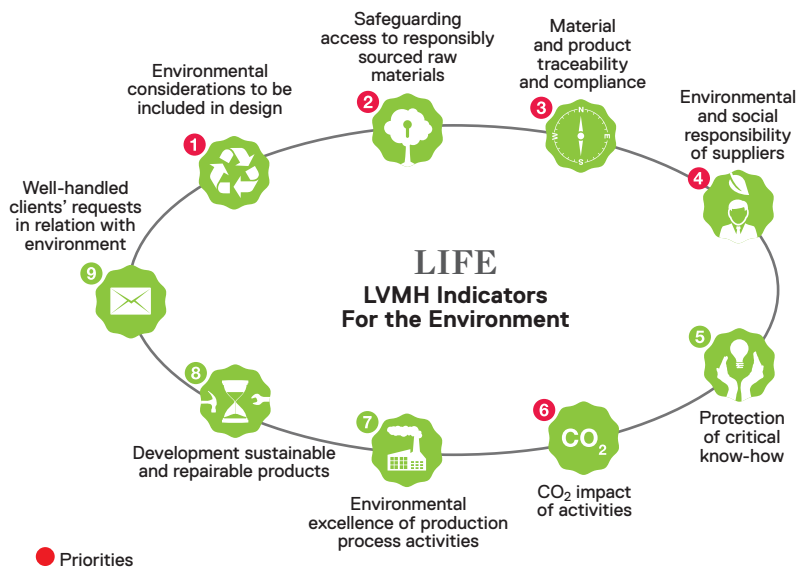
Eco-design, which aims to reduce the environmental footprint of a product throughout its lifecycle, is a constant source of innovation. It causes staff to think differently and more responsibly about the luxury of tomorrow. The Maisons have a number of customized tools and training programs, including the Edibox Web tool,

to assess the environmental performance of packaging, the “Eco-Material Handbook”, and the lifecycle analysis software, Simapro.

Eco-design involves reducing packaging weight and volume, choosing specific components and raw materials, employing more energy-efficient production processes and in some cases using alternative substances.

Informing the public about a product’s environmental impact is also a growing challenge that has led the French Government and Europe, for example, to embark on an environmental labeling trial. The LVMH Group is actively participating in this work. As part of a five-year partnership signed between LVMH and CIRAIG

(Interuniversity Center for Research on the Lifecycle of Products, Processes and Services), based at the École Polytechnique in Montreal, Loewe has worked on a tool for assessing the environmental performance of leathers. The goal is to identify the key criteria (water and energy consumption, use of chemical products) that may be adopted by design and procurement teams when they make their selections. To ensure it is able to source the quality and quantity of leathers it wants, Loewe also collaborates with non-profit associations of farmers on the variables that might impact the quality and traceability of leather throughout the supply chain. One such supplier is Casa de



The LIFE program has been designed to include the environment in managerial processes to a greater extent, facilitate the development of new management tools, and capitalize on the developments and enhancements arising from the Maisons' innovative practices. Implemented by the management committees of each Maison, the LIFE program is based on nine key aspects of environmental performance. Participating Maisons have defined a program of actions, prioritizing their strategic areas of focus and establishing indicators to monitor their performance.

Ganaderos, the oldest livestock operation in Europe, founded in 1218.

In 2013, Edibox was rolled out at Parfums Christian Dior, Guerlain, LVMH Fragrance Brands, Make Up For Ever, Louis Vuitton, and Bulgari to incorporate environmental criteria into packaging design from the very earliest stages. It calculates the environmental performance index (EPI) and the greenhouse gas emissions generated by packaging material. The launch of this new tool was an opportunity to educate all marketing and development staff.

The Champagne Maisons, which have also introduced the EPI, have made significant progress with their packaging. Lighter weights, materials derived from renewable resources and end-of-life recycling are the founding principles of all new boxes and cases. The Champagne Maisons, for example, reduced the weight of bottles, and the development teams select only materials that are sourced from FSC (Forest Stewardship Council) forests or that have PEFC (Pan European Forest Certification) labels guaranteeing that the forests are sustainably managed. The new cases will now be completely recyclable since the various materials can easily be separated or are based on plant materials. Two particularly

innovative examples produced in 2013 were the new Naturally Clicquot case, which is the first fully biodegradable isothermal champagne packaging made entirely of potato starch and paper, and the Ruinart case, designed by Dutch designer Piet Hein Eek using recycled wood.



The Naturally Clicquot case.

USEFUL LIFE OF PRODUCTS

LIFE

The strictest quality standards are a crucial requirement of our Maisons. And this requirement is directly linked to a product's environmental performance. When a product has a long life, the use of rare and precious natural resources is reduced. The Group also gives consideration to downstream actions, such as offering customers maintenance and repair services. Loewe's after-sales service offer includes a maintenance and cleaning service for ready-to-wear and leather products. In the case of Louis Vuitton, the after-sales service department and the product quality and development department are working together even more closely to plan for a product's reparability from the design stage. Each year, 55% of the after-sales service operations are carried out in a repair workshop, 26% in store and 19% by local partners.



BEST PRACTICES AT PARFUMS CHRISTIAN DIOR

Parfums Christian Dior is continuing with refill development in all three areas of makeup, perfumes and skincare. In 2013, it launched the new Capture Totale skincare giftbox and offered a simple refill method.

BEST PRACTICES FOR PACKAGING

In Madrid, Loewe replaced the cardboard boxes used for store deliveries with reusable boxes in 2012, 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. In 2013, all Loewe sales packagings were FSC-certified.

Another operational tool is the internally distributed "Eco-Material Handbook," which identifies some forty materials whose environmental performance is a determining factor for Group products. It explains how these materials can be used by each business.

The materials are classified for each application: paper, packaging, textiles and leathers, communication and equipment for stores.

Louis Vuitton has made eco-design a key area of focus, for example by introducing training modules for staff involved in design, marketing, purchasing, development and after-sales service for rolling luggage staff. It has reduced packaging weight and volume; distributed eco-designed overalls made from organic cotton and recycled polyester to workshops; and introduced polystyrene coat hangers.

One example is the Dubai warehouse which now uses closed-circuit crates for

deliveries to stores in its geographic area, resulting in a 54% reduction in the consumption of cardboard in the warehouse, for an annual savings of 18.5 metric tons.

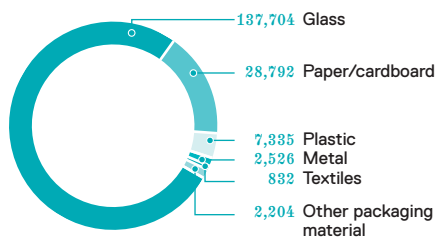
In the Watches & Jewelry business group, De Beers Diamond Jewellers began taking account of the EPI in 2013, increasing the recycling of materials used in store windows and packaging nearing the end of its useful life. It is printing all the brand's documents on FSC paper.

SAFEGUARDING ACCESS TO RESPONSIBLY SOURCED RAW MATERIALS AND PROTECTING BIODIVERSITY AT THE OUTSET



The LVMH Group has its own strategy for sourcing and safeguarding raw materials. The choice of components used in product manufacture is in fact key to safeguarding the environment, particularly natural resources that are crucial to product manufacture. LVMH adheres to the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) and the EU Timber Regulation (EUTR). Under the international regulations stemming from the 1992 Convention on Biological Diversity, a number

PACKAGING PLACED ON THE MARKET IN 2013 (in metric tons)



CHANGE IN PACKAGING PLACED ON THE MARKET BY BUSINESS GROUP

(in metric tons)	2013	2012	2011	2010	2013-2012 change (%)
Wines & Spirits	148,529	176,265	163,186	148,145	-16
Fashion & Leather Goods	5,844	6,367	6,100	5,711	-8
Perfumes & Cosmetics	22,261	19,900	23,798	21,974	+12
Watches & Jewelry	423	486	527	440	-13
Selective Retailing	2,336	1,548	1,563	1,327	+51
TOTAL	179,393	204,566	195,174	177,597	-12

- Céline, Chaumet, Hublot and Marc Jacobs did not report their data for this indicator in 2013.

- For the Wines & Spirits business group, the change is related to the reduced weight of the glass bottles and to the change in scope (exclusion of internal movements of stock) of the Champagne Maisons.

of projects are being discussed or examined in further depth for the Perfumes & Cosmetics, Fashion & Leather Goods, and Watches & Jewelry business groups. These include conducting audits of supply chains aimed at assessing compliance of our practices with the Nagoya Protocol on Access to Genetic Resources and the Fair and Equitable Sharing of Benefits Arising from their Utilization (ABS), and developing new fair and responsible supply chains in categories such as gold and cashmere.

The principal raw materials consumed by the Group are:

- packaging materials (mainly glass and cardboard);
- grapes (see the sections “Sustainable viticulture” and “Soil use and prevention”);
- leather;
- plant species;
- metals and precious stones (see the section “Responsible Jewellery Council (RJC)”).

PROTECTED, CRITICAL RAW MATERIALS

EXOTIC WOODS

In the Fashion & Leather Goods business group, Louis Vuitton made more widespread use in 2013 of local species or those with FSC (Forest Stewardship Council) or PEFC (Pan European Forest Certification) for its communication media and for boxes used in logistics operations.

These FSC- or PEFC-certified species are consistently prioritized for store construction, window displays, and a number of exclusive products. In 2012, Louis Vuitton conducted a campaign for all staff involved in the purchase of wood and its derivatives – for accessories, trunks, architecture, merchandising, stationary, glasses, and customs interface –, making them aware of the requirements of the EU Timber Regulation (EUTR) which came into force on March 3, 2013. The regulation describes the obligations of businesses that place timber products and derivatives for sale on the European market. It specifically prohibits

the sale of timber and timber products that have been illegally harvested. In 2013, a procedure and methodology for putting the Timber Regulation into practice were implemented, with particularly close attention paid to the sourcing of wooden furniture for stores and paper/cardboard for packaging and shopping bags.

COLLABORATIONS

Since 2011, LVMH has been a member of Business for Social Responsibility (BSR), through which it is involved in working groups that aim to establish best practices in the sourcing of leathers. The Group is also continuing its commitment with the Responsible Ecosystems Sourcing work subgroups dealing with the traceability of exotic leathers, colored stones and certain plant species. 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 and an appraisal system for traceability of skins.

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.

ETHNOBOTANY AND SUSTAINABLE ETHNOBOTANICAL VITICULTURE

ETHNOBOTANY

The Ethnobotanical Innovation Department of LVMH Perfumes & Cosmetics Research identifies plant species from around the world that could be used specifically in cosmetics, and helps protect these species and foster local social and economic development.

The “Jardins de Dior” are parcels of land dedicated to growing plants with flowers specially chosen for their exceptional properties. More than simple plots of land, these are areas selected in different parts of the world for their soil quality, irrigation and climate. Man only lays a finger in these

BEST PRACTICES PACKAGING AND TRANSPORTATION

Reducing the amount of packaging is an underlying transportation challenge. Less packaging means lower shipping costs and less impact on the environment. To this end, Louis Vuitton is paying special attention to packaging that accounts for the highest product volume. A multi-disciplinary working group was formed in 2012 comprising the Logistics, Industrial, Purchasing, Environment and Quality Control departments. The logistics closed circuit that was established between the Eole warehouse and the workshops reduced the quantity of waste from wooden pallets from 249 metric tons at the end of July 2012 to 32 metric tons in July 2013 (i.e., a 87% reduction). The Dubai warehouse, following the example of those in New York and Europa, also uses closed circuit crates to ship products to stores in its geographical region, and this has led to a 54% reduction in the consumption of cardboard at the warehouse (or 18.5 metric tons saved). Original packaging boxes are also being used more frequently and optimally, particularly for small leather goods. Lastly, a number of other improvements have been made, such as modifying shoe box sizes so that they can be nested, resulting in a 50% reduction in the space needed for shipping and storage.

COMMITMENT OF THE LVMH GROUP RECOGNIZED IN FRANCE'S NATIONAL STRATEGY FOR BIODIVERSITY (SNB)

Since October 2012, France's Minister of Ecology, Sustainable Development and Energy has awarded LVMH the "National Strategy for Biodiversity" prize for its project "Improving, from upstream to downstream, the footprint on biodiversity of LVMH's activities".

The SNB followed France's ratification of the United Nations Convention on Biological Diversity (CBD). LVMH's commitment is for 2012-2014. The first corporate initiatives taken relate to:

- identifying priority areas for diagnosis of the impact (known or potential) on biodiversity;
- starting an audit of these areas involving the pilot Maisons 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.

gardens provided the environment is absolutely safeguarded. Biodiversity is one of the key themes of Guerlain's commitment, and a formidable source of inspiration.

Through Orchidarium, its orchid research platform, Guerlain has partnered with the Tianzi natural reserve in the Yunnan region of China.

Its 10-year long sponsorship action includes four types of initiatives: introduction and cultivation of orchids, reforestation and restoration of tropical forests, protection of fauna and flora, and the passing on of know-how to the local people working on the reserve. This partnership protects and produces some of the *Vanda coerulea* – the best known and most used species of epiphyte orchid – according to precise specifications.

In 2013, an audit of the social and environmental practices of the reserve was conducted by an external auditor.

Guerlain has also introduced responsible vetiver cultivation in the high plains above the town of Coimbatore in southern India. This supply chain ensures the availability of a natural resource that has a very high olfactory quality. Partnered with its supplier, the Maison has developed a vetiver nursery, allowing the plants to be provided

to indigenous populations; the Maison also provides the necessary training for this cultivation and pays those local residents to harvest it. Vetiver has an advantage in that it can be used as a whole or in its various different parts: the grassy stalks are excellent fodder for cattle; its roots limit erosion and result in an increase in the yield of neighboring crops of close to 30%; lastly, its undistilled roots are used to make mats and baskets. The harvesting and use of vetiver is therefore a perennial source of additional revenue for local farmers. To obtain a better understanding and to protect the biodiversity at its Chartres and Orphin production sites, Guerlain implemented a mapping of all the species present there. This inventory has enabled new methods to be developed, such as establishing a number of different mowing frequencies and creating two fallow zones with wild flowers and an area for composting plant waste. In Chartres, during the development of the new 20,000-m² production unit known as La Ruche ("the Hive"), scheduled for completion in 2014, particular attention was paid to biodiversity: priority will be given there to the selection of "local" plant varieties including pollen-bearing species, the installation of hives and the development of a living green roof.



Rose de Granville by Parfums Christian Dior.



Vetiver harvesting for Guerlain.

SUSTAINABLE VITICULTURE

In terms of sustainable viticulture, Hennessy is pursuing an initiative to reduce the use of phytosanitary inputs.

Since January 2011, Hennessy vineyards have been selected as members of the network of benchmark farms created by the French Government under the Écophyto 2018 plan. A set of initiatives was implemented for these areas of land, and in 2013 this resulted in a 60% reduction in the use of these treatment products. The Champagne Maisons won Certiphyto accreditation for the way the vineyards are treated at the operating sites. The vineyards use the mating disruption method to protect vines against vine moths and avoid the use of insecticides. Soil maintenance is one of the primary initiatives in sustainable viticulture, including finding solutions that lead to less use being made of herbicides. The technique of sodding, either spontaneous or by sowing turf, between vinerows as a way of controlling the growth of weeds, is now used over two thirds of the areas cultivated by Veuve Clicquot and Moët & Chandon. Landscaping the slopes, for instance by creating terraces in the steepest areas, building dry-stone walls or planting

hedgerows, ensures the sustainability of the vines, promotes biodiversity and beautifies the landscape.

THE PRIMORDIAL CHALLENGE OF PROTECTING BEES

For several years, the Maisons have been supporting initiatives to protect bees, which are the real sentinels of the health of our ecosystems.

Maisons with historic links to the bee through the symbolism of their emblem include Chaumet, which since 2002 has been supporting the non-profit association Terre d'abeilles, and Guerlain, which signed an environmental sponsorship agreement with the Conservatoire de l'abeille noire in Ouessant.

Louis Vuitton has set up hives at some of its sites (its corporate headquarters at Pont-Neuf in Paris, the Cergy-Pontoise logistics sites and its Hong Kong warehouse). In 2011, it signed a four-year study and research partnership agreement with the French National Center for Scientific Research, the CNRS, on the topic "Bees of the cities – bees of the fields", whose aim is to analyze the reasons why bees do better in urban areas than in rural areas. In

BEST PRACTICES

- Louis Vuitton has continued its commitment to the protection of rare natural resources. One of its initiatives was to support the creation of environmentally-friendly supply chains, most notably the plans for a "Sustainable cashmere" supply chain.
- The LVMH jewelry Maisons have formed a working group that is examining various sourcing issues, such as the purchase of fair trade gold from mining artisans and the purchase of recycled gold. A further avenue for improvement is better traceability of the gold received from banks.
- In the spring of 2013, in recognition of its commitment in Ouessant to protecting the black bee, whose honey is one of the ingredients in the Abeille Royale range, Guerlain won the "Coup de Cœur" (Love at first sight) sustainable development sponsorship trophy, which was awarded by the French Minister of the Environment, Sustainable Development and Energy.





*Sandrine Sommer,
Guerlain's Director of Sustainable Development*

A packaging engineer by training, Sandrine Sommer is a living proof of the opportunities for mobility and personal development offered by the LVMH Group. After joining Moët & Chandon in 1999 as a Packaging Manager, and then Make Up For Ever in 2003, she came to Guerlain in 2005. In 2007, when Laurent Boillot became Chairman and Chief Executive Officer of Guerlain, he asked her to create and develop the Sustainable Development Department. "Creating the 'sustainable development' function was based on the Chairman's strategic vision at that point. In time, we wholeheartedly embraced the strategy within the company, and, indeed, sustainable development has become and will remain a priority for Guerlain." Sandrine also mentions how grateful she is to Sylvie Bénard, LVMH's Environment Director, and her team, who have given her a great deal of support in developing her strategy. Sandrine, who still reports to Guerlain's Chairman, gives her initial assessment of the projects implemented in the course of the last seven years: "All of Guerlain's French entities – its headquarters, stores and production sites – have achieved ISO 14001 certification, and now the foreign subsidiaries are progressively doing the same. Belgium, Germany and Japan have already embarked upon or completed this process. This structured approach has facilitated ongoing improvement initiatives. The partnership we established with Bilum, which recovers our tarpaulins and our Abribus posters for *La Petite Robe noire* and converts them into bags and notebooks, is another great example of our commitment to sustainability. The initiatives taken to protect biodiversity, such as the sponsorship actions relating to the black bee, the orchid and vetiver, are also terrific stories. Customers are particularly aware of these initiatives, as are our beauty consultants

who are given training on these matters every two months." Sandrine also underscores the importance of the strategy from an organizational point of view and in terms of collaboration: "Guerlain's Steering Committee, whose fifteen members are directly assessed in terms of environmental and social targets, is a real driver of this strategy. What is more, the opportunity for sharing ideas and for synergy between the various Maisons also means you can achieve and develop a real sense of solidarity much more quickly. From a personal point of view, the multi-disciplinary aspect of sustainable development gives me the chance to meet a broad range of different people and that is very rewarding – a real adventure, personally speaking!" Sandrine will benefit from these sources of optimism and conviction once again in 2014 as she embarks on a variety of ambitious projects. Still spearheading the issues of biodiversity within the Group, Guerlain is continuing with various diverse goals in this area, one of which involves the creation of a new sustainable supply chain along with a sponsorship initiative. Other projects are also on the horizon.

"Recovery and recycling of testers and obsolete bottles belonging to customers is already a key area of Guerlain's in-store initiative. This year the eco-design of flagship products is expected to continue and will receive a further boost. In September, Guerlain will officially open its future production site in Chartres known as La Ruche ("the Hive"), a plant that is probably the most beautiful HQE® facility in the Perfumes & Cosmetics business group."

Sandrine concludes: "We are proud of the path we've taken but we are also aware of the challenges that lie ahead to achieve our goal of being the benchmark player in our sector."

2013, the study on biodiversity at the Cergy 1 and Cergy 3 sites (flora, birds, butterflies) continued.

Hennessy has since 2012 installed two hives at one of its industrial sites in Charente. The honey collected there is served at the château de Bagnolet, the hotel Hennessy uses for its guests.

MATERIAL TRACEABILITY AND COMPLIANCE



To ensure that human health and the environment are protected to the highest degree against the risks posed by certain substances, LVMH implements and plans ahead for a variety of local regulations that apply to site operation and product manufacture.

THE REACH REGULATION

All Maisons have incorporated the European REACH regulatory requirements in their contractual documents to involve suppliers in this effort. They are requested to ensure that the substances used are registered under REACH, or regulations similar to REACH for non-European suppliers. They are also requested not to use any substances listed in the Group's monitoring tool. The tool, which suppliers can access online, includes a list of 286 substances, particularly substances subject to restriction or authorization by REACH, and substances of very high concern (SVHC). The tool aims to help Maison suppliers better identify the potential use of these substances and the materials in which they may be found. The Maisons also conduct tests by independent laboratories to certify that products placed on the market contain no SVHC. Experts from the various Maisons meet regularly as part of a REACH working group to anticipate future phase-outs and share best practices. An individual specially appointed at

the Group level coordinates the network and supports the Maisons in their plans to replace substances and innovate.

REGULATIONS ON COSMETIC PRODUCTS

LVMH's policy concerning the sensitive issue of the use of testing on animals to evaluate the safety of finished products is clearly defined: the goal is to ensure the safety of the consumer while at the same time taking into consideration respect for animal life. This is the reason why the Perfumes & Cosmetics Maisons stopped carrying out tests on animals for the products they place on the market in 1989, well before the official ban in the European Union in 2004. Developing methods as an alternative to testing animals is a real scientific challenge, and the LVMH Group continues to take an active part in this effort.

The EU regulatory background with regard to cosmetics has also changed with the adoption on November 30, 2009 of Regulation (EC) no. 1223/2009 of the European Parliament and the Council relating to cosmetic products. The Commission's main goal with this new regulation is to raise the already high level of safety for cosmetics consumers by:

- strengthening the elements of the manufacturer's responsibility: clarification of the minimum requirements for evaluating product safety;
- enhancing oversight of the market: the obligation to notify serious adverse effects to the competent authorities.

The LVMH Group implemented measures in readiness for the entry into force of the new regulation in July 2014.

These measures are all the more crucial given the increase in legislation around the world as a result of cosmetics regulation. Other European regulations that have entered into force, including the most recent, have been incorporated into LVMH procedures. These include:

- the Globally Harmonized System of Classification and Labeling of Chemicals

BEST PRACTICES

The Hennessy cooperage facility at La Sarrazine in Cognac is primarily responsible for manufacturing, maintaining and repairing the casks used to age the Hennessy eaux-de-vie. Hennessy uses only wood from French oaks that are sourced mainly from the forests in the Limousin region, all sustainably managed and PEFC-certified. Since the 1970's, Hennessy has owned the Bois-de-la-Celle forest, which is PEFC-certified for sustainable management. This 456 hectare area is 40 km from Bourges.



BEST PRACTICES

- In recognition of its commitment in Ouessant to protecting the black bee, Guerlain and the Association Conservatoire de l'abeille noire Bretonne (ACANB) won the "Coup de Cœur" [Love at first sight] sustainable development sponsorship trophy, which was awarded by the French Minister of the Environment, Sustainable Development and Energy. Guerlain is providing financial support that has helped to partially fund the hiring of a paid beekeeper responsible for maintaining the 150 ACANB hives. The Maison also helps the association to enhance its initiative and communicate it more effectively. Guerlain's Legal Department provides its expertise in an effort to better protect the black bees in Ouessant.
- Louis Vuitton preserves the biodiversity that exists at its sites (bees and bats). In 2013, at its Cergy 3 site, the company facilitated the reintroduction of the "chèvres des fossés", a species of goat that is particularly useful for keeping grassland under control by replacing mechanized mowing.

(GHS); whose purpose is to harmonize classification and labeling of chemical substances;

- the REACH regulation, which streamlines and improves the former legislative framework of the European Union governing chemicals. The main goals of REACH are to ensure a high level of protection of human health and the environment against the risks that may be posed by chemicals, promote alternative test methods, ensure the free movement of substances on the internal market, and enhance competitiveness and innovation.

The LVMH Group is particularly vigilant in complying with regulations, opinions of scientific committees, and the recommendations of professional associations. It also abides by strict internal rules for the development of new products – rules that are also imposed on LVMH suppliers.

The Group has held true to this commitment for several years and backs this policy with an approach designed to anticipate changes in international regulations. This anticipation is made possible thanks to the efforts of our experts, who regularly participate in the working groups of authorities in France and the rest of Europe and are very active in professional organizations. The work done by our experts in monitoring all the new regulations and changes in scientific knowledge has led the LVMH Group to ban the use of certain substances and to work toward reformulating certain products.

This very stringent requirement 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 to review all consumer complaints and carry out cosmetic vigilance of our products. Any complaint, whether relating to an intolerance or a severe irritation, is reviewed by a specialized team and assessed by a professional. A consultation with a dermatologist may be offered to the consumer. Lastly, by analyzing these complaints and these cases of cosmetic vigilance, we can explore new avenues of research and improve the quality of our products.

THE ABILITY TO ANSWER CUSTOMERS' QUESTIONS ABOUT THE ENVIRONMENT AND HEALTH



The ability to answer questions from customers and other stakeholders about the environment is one of the key aspects of environmental performance included in the LVMH LIFE program. The Maisons and their sales associates must be able to provide customers with full technical environmental data on a product or process.

At Bulgari, a multi-disciplinary team was set up in 2013 to centralize in-house information and manage all customer queries. The official procedure is communicated in compliance with the Group-defined procedure when addressing any queries regarding the REACH regulation. Bulgari also has an intranet page and tools dedicated to environmental data. In May 2013, Louis Vuitton also posted new editorial content on its website along with additional information about the challenges of "Information on environmental initiatives" aimed at customers.

In May 2013, Louis Vuitton updated the environmental section of its website shortly after the official publication of its report on greenhouse gases. The REACH Regulation, and the Responsible Jewellery Council certification of the Watches & Jewelry business are presented in the guides distributed to sales associates in stores; these handbooks set out the procedure for responding to customer queries. The "CSR ambassadors" and the "environmental ambassadors" appointed in stores, notably in Japan and Italy – pass on information and are ready to answer customers' questions on our social responsibility commitments. This effort is helped with data sheets on specific topics which are prepared for customers to read.

In 2013, Moët Hennessy continued the efforts begun the previous year with key stakeholders promoting responsible consumption by disseminating Moët Hennessy's commitment to responsible consumption. It notes that the art of tasting is part of our culture: because of

their historic, cultural and gastronomic dimensions, our unique wines and spirits must be appreciated in moderation. Moët Hennessy has continued to roll out the “Responsible consumption at Moët Hennessy” campaign in an effort to ensure that all employees, including those new to the company, embrace these issues as their own and become ambassadors of responsible consumption. The initiative inaugurated for consumers was also given a further boost. As well as strict compliance with local regulations, we pay particularly close attention to improved implementation of our self-regulation policy.

Moët Hennessy’s aim is to be a role model, specifically by applying our Code of Best Practices for Marketing and Communications more rigorously, as well as our guidelines for website communication. With regard to labeling, all wine bottles sold in the EU (except France for regulatory reasons) carry the website address www.wineinmoderation.eu; similarly, all spirits carry the website address www.responsibledrinking.eu. These are sites that provide consumers with additional

information on responsible drinking.

The staff, in the Maisons themselves and in their markets, make sure that when they talk about the products they also discuss Moët Hennessy’s commitment to responsible drinking, thus showing consumers how enjoying the products and drinking in moderation are inextricably linked. Lastly, Moët Hennessy again supported a large number of responsible drinking programs throughout the world in 2013 (Wine in Moderation, ICAP programs).



ENVIRONMENTAL AND SOCIAL RESPONSIBILITY OF SUPPLIERS AND SUBCONTRACTORS



BEST PRACTICES FOR EVALUATING AND AUDITING SUPPLIERS

- Hennessy has pursued a strategy of dialogue with all its dry solids suppliers and performed environmental audits on those suppliers since 2008. In 2013, 26 dry solids suppliers were assessed, the result being good environment performance and an improved average score. Audits were also carried out on suppliers of promotional material. These measures are keystones in the sustainable development approach implemented at Moët Hennessy. In tandem with this, Hennessy continued its strategy of dialog in 2013, sending outside companies a new version of its instruction booklet and best practices guide.
- In July 2013, Make Up For Ever surveyed all of its suppliers/subcontractors with regard to their environmental practices. With an initial response rate of 50%, the questionnaire enabled the company to begin a constructive dialog with most of the respondents.
- Louis Vuitton incorporated the environmental aspect in its supplier evaluation process based on a questionnaire that enables an initial diagnosis to be made, revealing the major risks with the aim of constructing an appropriate action plan. This first phase has resulted in accurate mapping of suppliers who might be subject to more in-depth environmental audits.

For the LVMH Group, purchasing and supplier relationships are a crucial aspect of its responsibility, risk management, and competitiveness. Challenges regarding the supplier chain include not only the safeguarding of supplies, compliance with regulations, and long-lasting or traceable products, but also the establishment of new types of collaboration along the entire chain with respect to eco-design, product lifecycle analysis and waste management.

PRINCIPLES AND AUDITS

As part of its relations with suppliers, LVMH requires its partners to subscribe to the Supplier Code of Conduct under which it reserves the right to conduct compliance

audits at any time without advance notice. In 2013, 750 social and/or environmental audits were carried out, almost 80% of them by independent experts, at 624 of the Maisons' suppliers. The Group's Purchasing Department established a tool comprising a database which allows the sharing of the results of social and environmental audits of suppliers carried out by each of the Maisons in the Group.

Each Maison also conducts a large number of initiatives in this area which evaluate and involve its suppliers. Since 2013, Loewe has applied a new process of evaluating and approving its suppliers in accordance with its "Animal Sourcing Policy" code of conduct.

In fur purchasing, for example, Loewe has embarked on a process aimed at limiting the use of furs solely to certain species of livestock, certain countries of origin and certain suppliers. The Purchasing Department has developed a risk assessment matrix that classifies suppliers based on social and environmental criteria and economic interdependence risks. And Guerlain instigated the "Responsible Purchasing" charter developed within the Perfumes & Cosmetics business



group, the goal being to formalize the terms of a responsible relationship between the Maisons and their partners in the following areas: quality and sustainability of relations with suppliers; improvement in mutual economic performance; selection of sustainable materials and responsible suppliers; and innovation and preservation of materials and know-how.

At the end of 2013, an evaluation chart pertaining to the above was being developed to rate suppliers and help them improve their practices. Guerlain's goal is to involve its suppliers on a systematic basis by including environmental and social screening in the most significant calls for tender.

INITIATIVES TO HELP SUPPLIERS

Special value is placed on the criterion of local sourcing for a good number of our sites, particularly as regards the choice of service providers. The Barbera workshop in Spain, for example, achieved a 75% increase in its purchases from suppliers located within a 60-km radius.

The shoe manufacturing facility in Fiesso d'Artico in Italy also purchases many components and raw materials locally. Another type of example is Switzerland, where 80% of the building materials and equipment for TAG Heuer's buildings at its Chevenez site are sourced from companies and suppliers in the Jura region.

ENVIRONMENTAL EXCELLENCE OF INTERNAL PRODUCTION PROCEDURES AND SUBCONTRACTORS

The reduction in emissions and discharges is largely the result of efforts made to limit the amount of resources used to run sites, workshops, stores, and transport, and in the care taken in the design and management of a product's life cycle. The actions implemented by the Maisons

include prevention of discharges into soil and water, reduction in use of water resources and recycling of waste. (Air emissions are examined separately in the section "Energy management and the CO₂ impact reduction," on page 39).

EFFORTS TO SAVE WATER RESOURCES



Water is a critical resource for the LVMH Group's operations, particularly in Wines & Spirits and Perfumes & Cosmetics, and so LVMH has participated in the CDP Water Disclosure program since its launch. There are two quite separate types of needs here: water for agricultural use and water for industrial purposes. This challenge has given rise to a broad range of initiatives: establishing measurement protocols, improving management and tracking of consumption, recovering run-off water and optimizing the irrigation of vineyards and green areas. In 2013, the Group's Maisons used 6,925,027 m³ of water for agricultural purposes, mainly for vine irrigation (6,424,228 m³ in 2012). In 2013, "processing" requirements accounted for 2,620,037 m³ of water (versus 1,927,065 m³ in 2012). It should be noted that 81% of sales areas (Selective Retailing, Fashion & Leather Goods, Perfumes & Cosmetics and Watches & Jewelry) are excluded from the reporting scope for this indicator, but their water consumption is estimated at 1,327,000 m³.

In 2013, LVMH conducted an in-depth analysis of sensitivity to local constraints for all Maisons in the Group, using the Pfister 2009 index and the Aquastat 2012 database. The analysis is based on assessing the sensitivity of each geographic region by comparing local water consumption with the available resources. Four Maisons that consume water to a significant degree in the Group are located in regions with close to maximum water stress, i.e. regions where the need for water almost matches available resources:

BEST PRACTICES TO HELP SUPPLIERS

- In 2013, Hennessy held the second edition of the Technical Forum for its partners in the vintner industry on the topic "The vine, the number-one production tool". There were ten themed workshops at the event, which dealt with topics such as the protection of water, management of effluents, and preservation of soil in vineyards.

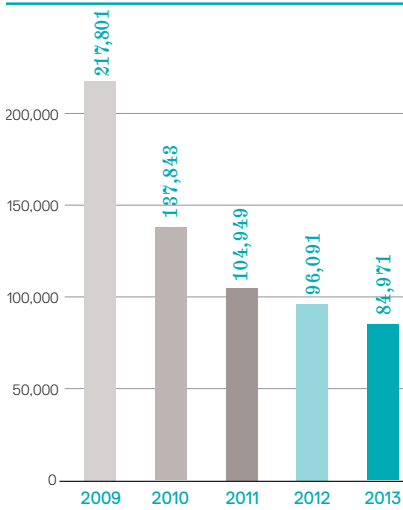
Technical environmental advice was also provided by experts. The result of the initiative is that relations with suppliers have been strengthened and the framework of audits for the Maison has been examined in greater depth.

- In the Watches & Jewelry business group too, De Beers Diamond Jewellers has informed its suppliers of the implications of its commitment to the Group's LIFE project and has rolled out its first educational campaign for its packaging suppliers.

- Louis Vuitton promotes the sharing of best practices with its suppliers specifically in the area of material recycling.

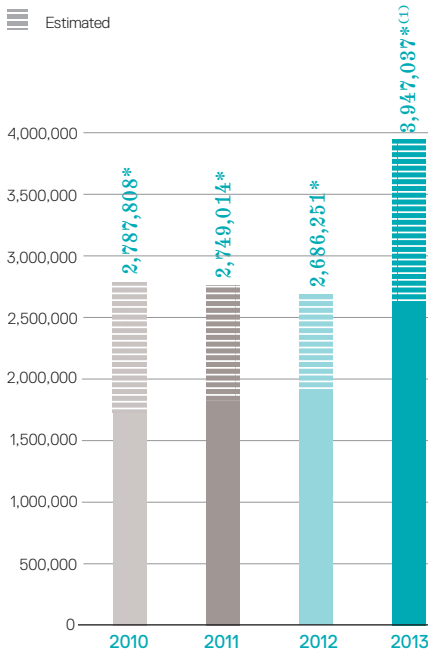
For example, environmental requirements tailored to each business line are included in all service provider contracts for the French sites. A guide provides advice on how to deal with recyclable waste (leather, metal parts, etc.). In the latter part of last year, a feasibility study was launched between the CEDRE platform and the event provider on the idea of setting up a segment to recycle fashion show decor and show-room fittings.

**BEST PRACTICES
WATER MANAGEMENT** (in m³)



The Maisons are achieving very positive measurable results, as evidenced by the reduction in water consumption achieved by Parfums Christian Dior. 2013 saw the elimination of the last equipment that lost water.

**CHANGE IN WATER CONSUMPTION
OF THE GROUP** (in m³)



* Estimates of water consumption for sales areas excluded from the reporting scope and audit (81% in 2013, 76% in 2012, 74% in 2011 and 83% in 2010) are shown separately: 1,327,000 m³ in 2013, 760,000 m³ in 2012, 932,298 m³ in 2011 and 1,053,469 m³ in 2010.

(1) Change primarily related to the increased business of Glenmorangie and the other Wines & Spirits Maisons and to inclusion of the tanneries at Louis Vuitton, and new data for the Ardèche workshops.

– the Cheval des Andes and Terrazas de los Andes vineyards, which account for 93% of the Group's water needs for agricultural purposes;

– the Domaine Chandon California and Newton vineyards, which account for 3% of the Group's needs for agricultural purposes.

Vine irrigation is a permitted practice in California because of the climate. This irrigation is needed for the vines to grow. However, various measures are taken to limit water consumption, including recovery of run-off water, setting up protocols

for measuring and characterizing water requirements, standardized use of drip-method irrigation, using weather forecasts to optimize irrigation, and the practice of “reduced loss irrigation” which limits the use of water and improves the quality of the grapes and the size of the vine, yielding an enhanced concentration of aroma and color.

In France, the Champagne Maisons have established a water management committee, one of whose tasks is to manage its program for reducing water consumption. Each activity was fully mapped in 2013; the



The Newton vines in California.

COD AFTER TREATMENT

(in metric tons)	2013	2012	2011	2010	2009
Wines & Spirits	3,590.1 ⁽¹⁾	2,790.9	2,227.3	2,107.0	3,291.2
Fashion & Leather Goods	155.2 ⁽²⁾	—	—	—	—
Perfumes & Cosmetics	18.8	23.2	13.6	18.3	14.2
TOTAL	3,764.1	2,814.1	2,240.9	2,125.3	3,305.4

(1) Change mainly related to increased business at Glenmorangie.

(2) Change due to the inclusion of tanneries (Louis Vuitton).

process revealed the primary sources of consumption, such as the disgorging process and the fermenting room, and identified areas for improvement.

As part of its sustainable viticulture initiatives, Hennessy has supported its wine-growing subsidiary SODEPA in an effort to reduce its water consumption and the volume of its effluents. In 2013, for instance, the vineyard achieved a 10% reduction in its water consumption and a 33% reduction in the volume of processing effluent.

SOIL USE AND PREVENTION OF SOIL AND WATER POLLUTION

Soil pollution from old manufacturing facilities (cognac, wine and champagne

production; trunk production) is insignificant. The more recent production facilities are generally located on farmland with no history of pollution. The Group's manufacturing operations require very little soil use, except for wine production.

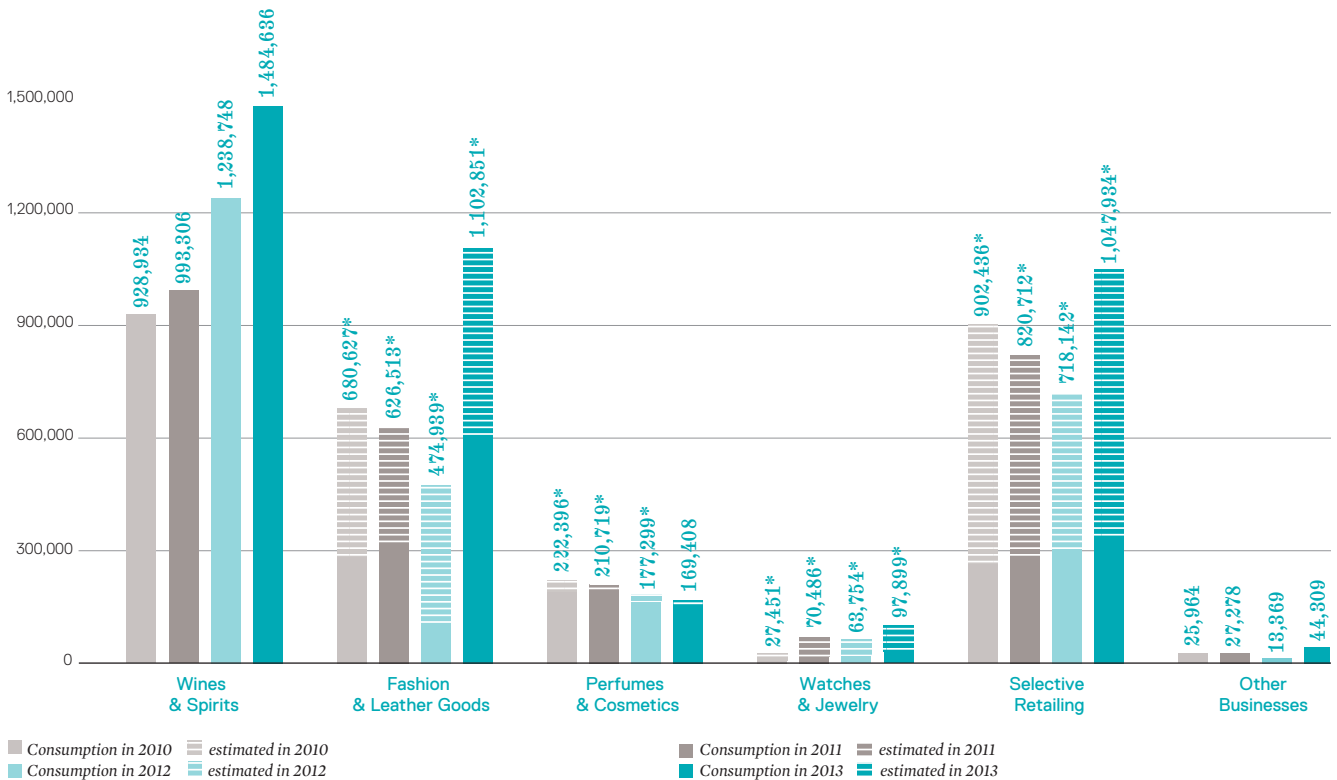
The only major relevant indicator here can be seen in the potentially eutrophying discharges of substances into the water that are produced by the Wines & Spirits, Fashion & Leather Goods, and Perfumes & Cosmetics businesses. Other Group activities only have a very small impact on water quality. Eutrophication is the excessive growth of algae and aquatic plants caused by excess nutrients in the water. This leads to oxygen depletion in the water, which is harmful to the environment. The parameter used to measure eutrophication is chemical oxygen demand (COD), calculated after the

effluents have been treated at the Group's own plants or at independent plants with which the sites have agreements. In 2013, Louis Vuitton's Roux and Heng Long tanneries were consolidated in the Group, resulting in a 34% increase in COD discharges. Studies are under way to identify opportunities to reduce this discharge in the Wines & Spirits Maisons.

THE CHALLENGE OF SUSTAINABLE VITICULTURE

Doubly committed to sustainable viticulture, for historical and strategic reasons, the Wines & Spirits Maisons concerned are implementing various initiatives relating to responsible and organic farming to dramatically reduce the use of environmentally

CHANGE IN WATER CONSUMPTION BY BUSINESS GROUP (in m³)



* Estimates of water consumption for sales areas excluded from the reporting scope and audit (81% in 2013, 76% in 2012, 74% in 2011 and 83% in 2010) are shown separately.
 - For the Wines & Spirits business group, the change is related mainly to the increased business at Glenmorangie and the other Wines & Spirits Maisons.
 - For the Fashion & Leather Goods business group, the change is related primarily to the consolidation at Louis Vuitton of the tanneries, and to new data for the Ardèche workshops.
 - For the Watches & Jewelry business group, the change is related to the increased reliability of the indicator for Bulgari.
 - For the Other Businesses, the change is related to the consolidation of the Jardin d'acclimatation and Radio Classique.

BEST PRACTICES PREVENTION OF POLLUTION

- After obtaining “Napa Green Winery” certification in 2011, the Newton Vineyards and Domaine Chandon sites made plans to obtain “Napa Green Land” certification in 2014, which will provide enhanced protection of the water quality. The program aims to improve the quality of the watershed and restore the environment by promoting sustainable farming, management of the ecosystems and control of soil erosion.
- Numanthia, in Spain, also practices responsible vineyard management using organic instead of phytosanitary products and reducing the number of aisles in the vines. The Maison is continuing an official three-year program to achieve “Organic farming” certification. And Cloudy Bay successfully began trials in 2013 to manage its vineyards with a view to achieving organic certification.

BEST PRACTICE – CEDRE

In the Le Bon Marché group, all materials generated by the activities of La Grande Épicerie de Paris have been recycled. In the initial phase of the work on refurbishing the store, for example, the cold production units and equipment in the bakery, brasserie and cash register area were disassembled and sorted (steel, glass, wood, stainless steel) in the selective sorting center CEDRE. The various types of waste (bio-waste, common industrial waste, oil, cardboard and glass) are processed in line with the special requirements of their recovery channels and resold to special recycling centers, the result being that all this waste is recycled.

harmful phytosanitary products. (See paragraph “Ethnobotany and sustainable viticulture” on page 25.)

WASTE REDUCTION AND RECOVERY

In 2013, 88% of waste was recovered (versus 76% in 2012). At the same time, there was an 8% increase in the production of waste in 2013. The increase in the recovery rate is related to the Wines & Spirits business (improved reliability of the Wenjun data in 2013), and the increased production of waste is related mainly to the fact that the tanneries are now included. The waste recovered is waste whose ultimate purpose, in decreasing order of priority according to European and French laws, corresponds to one of the following:

- reuse, i.e. the waste is used for the same purpose as the one for which the product was initially designed;
- material recovery, i.e. recycling (the direct reintroduction of waste into its

original manufacturing cycle resulting in the total or partial replacement of an unused raw material), controlled composting or land treatment of organic waste to be used as soil fertilizer;

- incineration for energy production, i.e. the recovery of the energy in the form of electricity or heat by burning the waste.

CEDRE

The CEDRE platform is used by the Perfumes & Cosmetics Maisons, Sephora (since 2010), and Louis Vuitton (since 2011). CEDRE stands for *Centre environnemental de déconditionnement, recyclage écologique* and is dedicated to the sorting, recycling and recovery of all waste generated from the manufacture, packaging, distribution and sale of cosmetics products. This recycling platform accepts several types of waste: obsolete packaging items, obsolete alcohol products, advertising materials, store testers, and empty packaging returned to the store by customers. In 2013, the platform processed around 1,600 metric



Waste management at the LVMH Fragrance Brand.

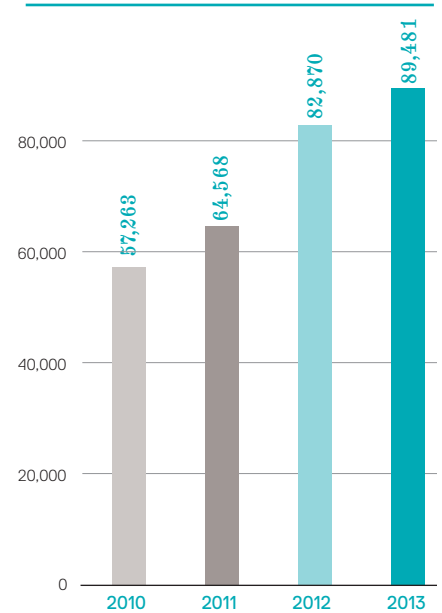
tons of waste and resold various materials, such as glass, cardboard, wood, metal, plastic, alcohol and cellophane, to a network of specialist recyclers.

Guerlain allows its customers to return their empty products to its Paris stores for forwarding to the CEDRE platform for sorting and recovery. Customers are given information about this eco-initiative, and it is also promoted on designated display stands in stores. Guerlain has continued its active collaboration with the CEDRE platform and introduced 30 selective waste sorting processes to recover its waste (paper, glass, cardboard, plastic, etc.), including testers and obsolete bottles. Altogether, 72% of the waste from its industrial sites is recovered through recycling, reuse or composting. In line with its continued process of achieving ISO 14001 certification, Guerlain conducts eco-initiatives on a daily basis aimed at changing the behavior of employees and limiting the amount of waste generated.

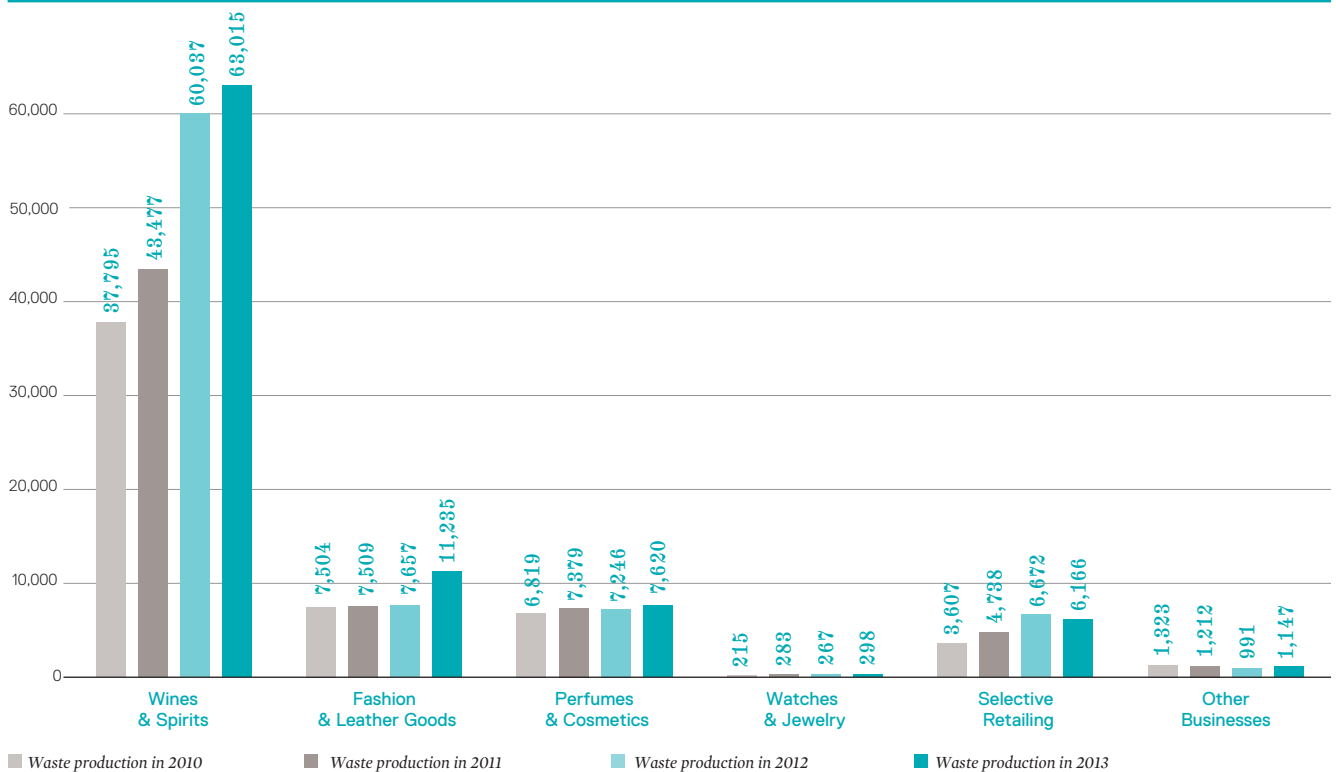
OTHER COLLECTION AND RECOVERY METHODS

In its international network of stores, Louis Vuitton is gradually establishing a sorting policy for traditional materials (paper/cardboard boxes, plastic bottles, cans and glass), as well as appropriate management of environmentally hazardous waste (batteries, ink cartridges, etc.) in addition to more specific waste such as corks. In China, the “Collect batteries, go green China” project resulted in the collection of 13,800 batteries over a 12-month period. In the workshops, there has been an improvement in the sorting of household waste. Management of sorting has been reorganized in Saint-Pourçain-sur-Sioule as well as in the Drôme workshops (5 metric tons of CO₂ saved per year), the shoe manufacturing facility of Fiesso d’Artico in Italy and the manufacturing facility for Gallarate accessories in Italy.

PRODUCTION OF GROUP WASTE
(in metric tons)



CHANGE IN WASTE PRODUCTION BY BUSINESS GROUP *(in metric tons)*



For the Fashion & Leather Goods business group, the change is related mainly to consolidation of the tanneries.

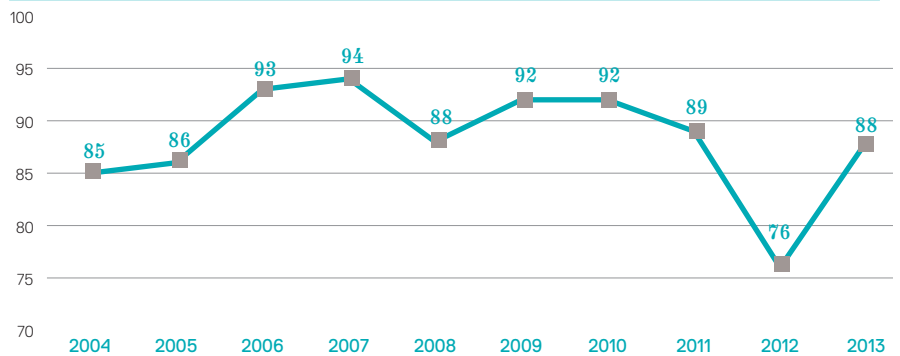
BEST PRACTICE METAL AND GOLD

With regard to all of Louis Vuitton's obsolete metal parts, the scope of the process previously deployed in workshops was extended to the headquarters, the Barbera and San Dimas workshops, and to the shoe and accessory manufacturing plants in 2013. The resale proceeds from the gold obtained by melting the parts are reinvested in full to benefit environmental projects initiated in the workshops.

BEST PRACTICES WASTE REDUCTION

- In 2013, Loewe recycled or reused over 60% of the items used for window-dressing in Europe. Around 300 chairs used in the fall-winter collection window displays were sold to a company that integrates marginalized people into the workplace and supports them.
- To reduce the waste generated by the delivery of products to its stores, Guerlain has opted for delivery in plastic bins, leading to the elimination of cardboard boxes and waste. These plastic bins are reusable and have at least a five-year lifespan, resulting in total savings of 20,000 boxes annually.

PERCENTAGE OF WASTE RECOVERED



CHANGE IN HAZARDOUS WASTE PRODUCTION BY BUSINESS GROUP

(in metric tons)	Hazardous waste 2013	Hazardous waste 2012	Hazardous waste 2011	Hazardous waste 2010
<i>Wines & Spirits</i>	251	346	178	196
<i>Fashion & Leather Goods</i>	573	163	121	73
<i>Perfumes & Cosmetics</i>	1,190	980	896	776
<i>Watches & Jewelry</i>	33	26	29	17
<i>Selective Retailing</i>	155	127	64	17
<i>Other Businesses</i>	154	77	79	111
TOTAL	2,356	1,719	1,367	1,190

Some products that are removed from the manufacturing cycle are treated in the same way as hazardous waste to prevent counterfeiting attempts.

RECOVERY OF WASTE PRODUCED BY THE SITES OF THE LVMH GROUP IN 2013

(as a % of the waste produced)	Reuse	Material recovery	Energy recovery	Total recovered
<i>Wines & Spirits</i>	47	40	3	90
<i>Fashion & Leather Goods</i>	4	35	28	67
<i>Perfumes & Cosmetics</i>	2	70	26	98
<i>Watches & Jewelry</i>	0	55	20	75
<i>Selective Retailing</i>	12	69	7	88
<i>Other Businesses</i>	0	82	18	100
TOTAL	35	44	8	88

In anticipation of the regulation, the Ducey and Sainte-Florence workshops in France have instituted sorting and recovery of the food waste from its company restaurant using a methanization process.

The Wines & Spirits Maisons are also including new processes for recovering material and waste each year. One such example is the Champagne Maisons' success in identifying a process for recovering paper sheets (labeling media) and bands (pallet connectors). Hennessy has established a process for recycling cellulose filters. 40 metric tons of filters used annually are thus recycled as stationery, enabling the Maison to recover more than 92% of its waste. Some of the initiatives have a social aspect to them.

In 2010, Bulgari began donating a portion of unused leather offcuts to Il Porto di Coenzo, a center for social and professional insertion for people with disabilities that uses these materials to produce small leather goods and print greeting cards.

ENERGY MANAGEMENT

Carbon Footprints® and energy audits are vital tools for helping to develop appropriate energy-consumption reduction strategies.

The Maisons carry out various initiatives regarding store lighting and air conditioning, transportation, energy efficiency and the promotion of renewable energy sources.

Energy consumption refers to the total amount of the primary energy (fuel oil, butane, propane and natural gas) and secondary energy (electricity, chilled water and steam) sources used primarily for manufacturing processes and the air conditioning and heating of buildings and stores.

In 2013, subsidiaries included in the reporting scope consumed 760,254 MWh of energy, broken down by source as follows: 67% electricity, 20% natural gas, 5% heavy oil, 3% fuel oil, 2% renewable energy, 1% butane-propane, 1% steam and 1% chilled water. Consumption was up 15% over 2012.

This breaks down, in decreasing order of priority, among the following business groups: Selective Retailing 32%, Wines & Spirits 28%, Fashion & Leather Goods 24%, and lastly Perfumes & Cosmetics 10%; the remaining 6% comes from the Watches and Jewelry business group and the other Group businesses. The energy consumption of the sales areas excluded from the reporting scope (47% of the total sales area) is estimated at 269,000 MWh.

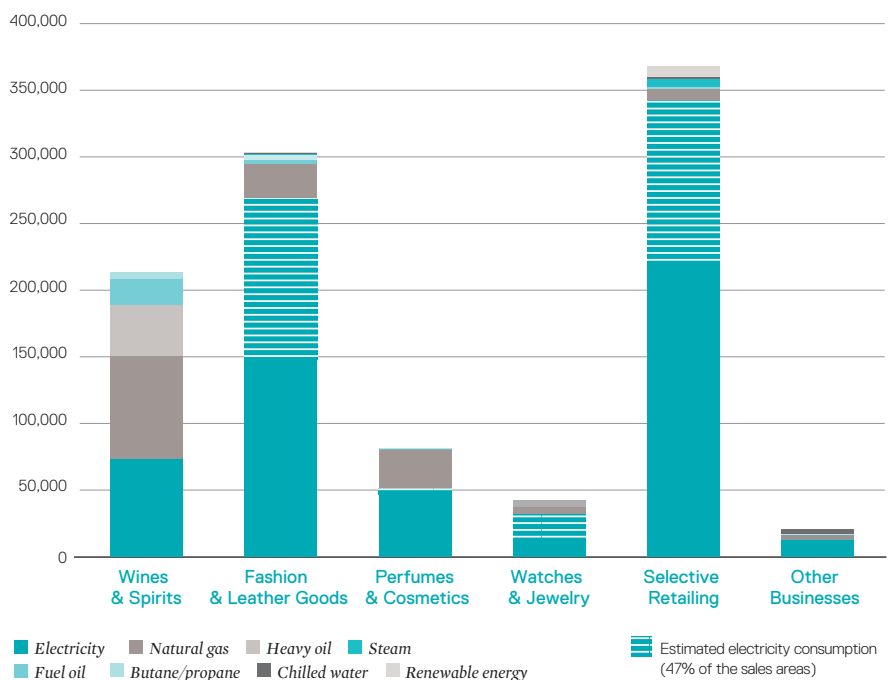
ENERGY MANAGEMENT AND CO₂ IMPACT REDUCTION



Taking account of climate change consequences and reducing CO₂ emissions are priorities for LVMH, which has produced a Carbon Footprint® for most of its Maisons since 2002. The main areas that are being improved involve optimizing transportation and reducing in-store energy consumption. In 2013, the Group held a forum on the various challenges of adapting to climate change.

The two key components of the Group's adaptation strategy in the medium term will be improving viticulture practices and site location.

ENERGY CONSUMPTION BY SECTOR AND SOURCE IN 2013 (in MWh)



TRANSPORT

For some Maisons, transportation is one of the biggest sources of CO₂ emissions. They have defined measures to deal with the issues they face and the local situations they encounter when it comes to shipping.

For medium- or long-distance shipments, the Maisons seek above all to reduce the portion sent by air or road.

Louis Vuitton has continued its “Green Supply Chain” project, and in late 2013 won ISO 14001 certification for its supply chain, from the workshops right through to the stores. All of the logistics partners were encouraged to incorporate the strategy in their own certification – for example, warehouses managed directly by shippers – or to apply best practices in terms of reporting and the selection of indicators and targets.

Since 2012, calls for tender for the selection of global carriers have included a preliminary selection level based solely on a service provider’s environmental commitment and the extent to which this has been developed. Louis Vuitton has launched a number of calls for tenders using this method, for instance, for supplying its stores from the Hong Kong and Singapore warehouses, for shipping for the “Writing Instruments” business and for shipping for the “Remote Sales” business.

In January 2013, Louis Vuitton developed a tool to calculate CO₂ emissions and produce for each journey made a real-time report of emissions related to the shipping of leather goods and accessories that transit through its central warehouse. Buoyed by the ongoing favorable results of its Carbon Footprint®, Louis Vuitton successfully revised its shipping methods and completely reorganized its logistics flows; the tendency now is to favor maritime shipping. Louis Vuitton also established a rail/road link between its shoe manufacturing facility in Fiesso d’Artico near Venice and its warehouse in France, drawing on experience from the existing link between the Barbera workshop in Spain and the central warehouse in Cergy Eole. This led to a reduction in emissions from shipments from Spain and Italy of 82 metric tons of

CO₂ equivalent for 2013. Other Maisons have conducted similar initiatives to those of Loewe, which has developed an in-house tool to map and manage the carbon footprint of the global shipping conducted from its logistics center in Madrid.

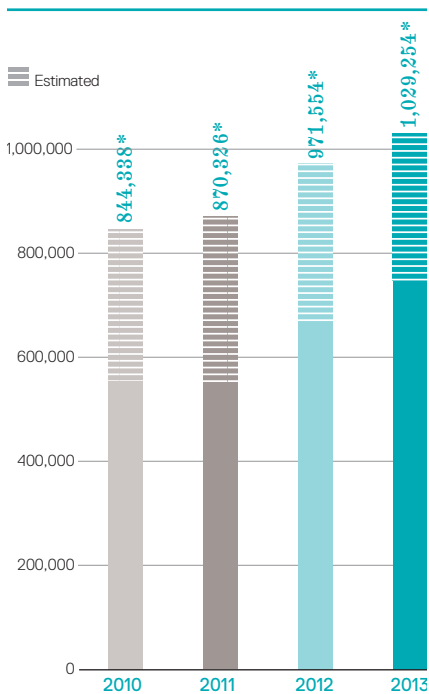
A further example can be seen with Louis Vuitton, which had adopted a number of different measures, such as reducing volumes being shipped and distances traveled to take products to stores; systematically selecting fleets that emit much less carbon (trucks that meet the Euro V standard, new planes such as the Boeing 777 that reduce their emissions by 20%, electric trucks being used in central Paris and undergoing trials in New York); inland waterway and/or maritime shipping preferred for the supply of packaging, window displays and non-seasonal leather goods and accessories; road transport preferred for short distances.

Since 2008, Guerlain has been using a tool for monthly tracking of its overall percentage of sea transportation for each geographic region and campaign. Results are reviewed by the Maison’s Executive Committee.

A report of costs and CO₂ emissions in comparison to the year’s target is then sent to all entities. When infrastructure allows, inland waterways are therefore systematically preferred over road transportation, as is the case with Parfums Christian Dior, which uses the waterway between the port of Gennevilliers and Le Havre prior to export. At the end of December 2013, 100 containers of counter furniture were shipped by barge to Gennevilliers, resulting in savings of 8,540 liters of fuel and 22 metric tons of CO₂ equivalent.

In the Wines & Spirits business group, Belvedere revamped the logistics for exporting goods from Poland to the North American market in January 2012. 20% of the deliveries to the American market are thus made directly from Żyrardów in Poland and 80% from the logistics hub in France. Shipping by truck was reduced by 98,000 km for all 86 shipments made in 2013. Hennessy is another good example; in June 2013, it resumed rail transport of its products from the station in Cognac, resulting in an 84%

ENERGY CONSUMPTION (in MWh)



* Estimates of energy consumption for sales areas excluded from the reporting scope and audit (47% in 2013, 54% in 2012, 60% in 2011, 60% in 2010 and 50% in 2009) are shown separately: 269,000 MWh in 2013, 310,000 MWh in 2012, 315,972 MWh in 2011 and 289,913 MWh in 2010.

reduction in CO₂ equivalent emissions for a given journey, or 500 metric tons of CO₂ equivalent saved in total in 2013.

For short-haul deliveries, Sephora has been using electric trucks to deliver to its downtown stores in France since October 2009. These city stores account for 80% of its points of sale in France. When the Deret shipping company, which has been partnered with Sephora for over 15 years, suggested using electric trucks for the final leg of the shipment to the city center, a trial was quickly extended to the major metropolitan areas. In 2013, Sephora also supported a number of initiatives. The trials conducted on Renault Trucks' Urban Lab vehicles were renewed in October. Urban Lab 1 is an experimental hybrid vehicle for urban distribution, with one loading sill at

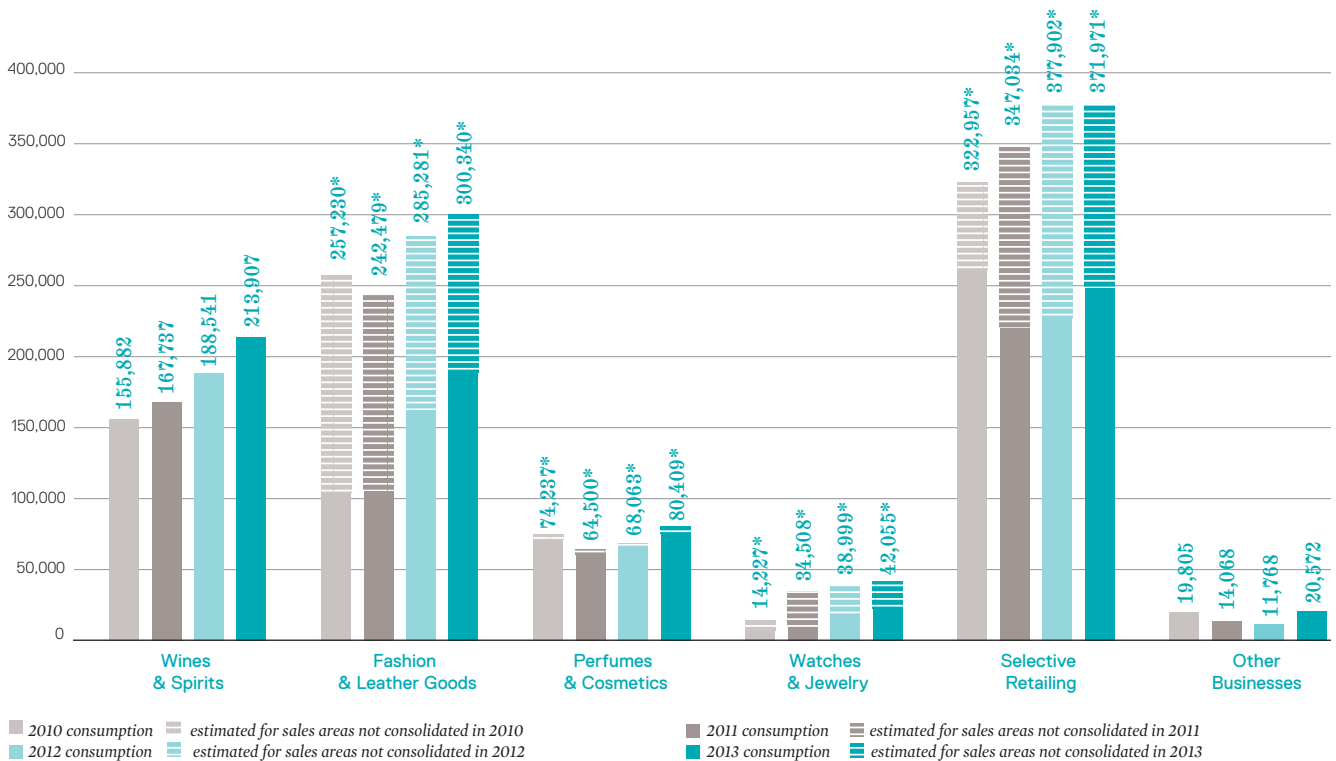
ground level. Loading and unloading is easier and faster, and the vehicle represents a technological step forward both for shippers and for urban environments in general. On September 18, 2013, Sephora signed the city of Paris' new "Green Logistics Charter" for the transport of goods and deliveries in the center of the capital. Sephora participates more specifically in the initiative no. 16 working group, whose aim is to achieve 50% of deliveries using non-diesel vehicles by 2017. Lastly, Sephora is a stakeholder in the development of the urban logistics area (ELU) of Les Cordeliers in the urban municipality of Greater Lyons.

Since January 2012, a similar approach has been taken by Guerlain whose deliveries to its Paris stores are being made using natural gas vehicles (NGVs). An electric shuttle

bus ferries passengers each day between headquarters and the Paris stores, saving 1.5 metric tons of CO₂ in 2013. Lastly, 50% of errands from Levallois and the Paris stores are made by bicycle couriers. The experience is similar in other Maisons. LVMH Fragrance Brands has set up a car-sharing system at the Levallois and Beauvais sites and has equipped itself with an electric vehicle specifically for the Île-de-France sites.

In terms of staff business travel and transportation, the Maisons seek to encourage alternative solutions and reduce the number of business trips made by giving priority whenever possible to meetings held remotely. Sephora Europe, for example, has used videoconferencing equipment since 2012 for the offices at its headquarters in Europe.

CHANGE IN ENERGY CONSUMPTION BY BUSINESS GROUP (in MWh)



* Estimates of energy consumption for sales areas excluded from the reporting scope and audit (47% in 2013, 54% in 2012, 60% in 2011 and 2010, and 50% in 2009) are shown separately.
 - For the Perfumes & Cosmetics business group, the change is related primarily to the consolidation of the new Perfumes & Cosmetics research center at Saint-Jean-de-Braye and the Paris offices of Make Up For Ever and Parfums Christian Dior.
 - For the Watches & Jewelry business group, the change is mainly related to the consolidation of the Bulgari stores in Italy and the consolidation of De Beers.
 - For Other Businesses, the change is related to the consolidation of the Jardin d'acclimatation, Radio Classique and the LVMH holding company site at 3, rue Bayard.

BEST PRACTICES FLEET MANAGEMENT

The Champagne Maisons purchased a second electric high-clearance tractor and held a demonstration day for grape suppliers in the Champagne region. At the end of 2013, the Maisons also had a Kangoo vehicle at the vineyard and eight Zoé vehicles; the result was a 20% reduction in CO₂ emissions from the fleet of vehicles in service.

As part of its company travel plan, a system for managing and tracking the fleet using GPS was developed in an effort to optimize and measure progress on an ongoing basis. Employees involved in most travel were offered an eco-driving training program. The Moët & Chandon parking area was fitted with eight electric charging stations, on top of the twelve they already had. The local parking area for two-wheelers was also renovated and staff were provided with electrical bicycles during Sustainable Mobility Week, which was held from September 19 to 26, 2013.

By the end of 2014, half of the fleet is expected to be replaced, the goal being to reduce CO₂ emissions by 45%. These initiatives are in line with the inter-company travel plan launched by the Champagne Maisons in 2012.



Delivery by electric truck at Sephora.

In most cases, the solutions implemented by the Maisons are part of a company travel plan. This is true of Guerlain, which has developed various measures as part of its travel plan. For the fleet of cars owned or leased by Guerlain, it was decided that the maximum limit for vehicles was 130 g of CO₂/km in 2013, compared to 140 g in 2012, with a target for 2014 of 120 g.

Louis Vuitton is shifting the emphasis to different areas. For the headquarters and international sites, remote meetings are recommended, including videoconferencing and using the WebEx system. Car-pooling and renting bicycles is also encouraged on a systematic basis, as is the use of public transport and hybrid taxis. The fleet of company cars has developed and now includes electric, hybrid and more fuel-efficient vehicles with an environmental bonus. In Australia and New Zealand, staff at the offices and stores have a free, secured bike parking space. In terms of electric vehicles, Louis Vuitton has acquired a second all-electric Kangoo for its Cergy workshop and an electric vehicle at its headquarters for employee travel in the Île-de-France region. At its La Chaux-de-Fonds site in

Switzerland, TAG Heuer has established a mobility plan that promotes alternatives to the individual use of private cars.

The Maison supports and funds the new platform to encourage car-pooling and put people in contact with each other for that purpose. The platform was formed under the European INTERREG program, a European regional cooperation program between France and Switzerland. TAG Heuer also finances a cross-border bus for staff residing in the municipal communities of Val-de-Morteau, and provides financial support for purchasing subscriptions to the Swiss and French public transport networks. 22% of the staff have decided to forego a parking space as a result of this mobility plan.

Parfums Christian Dior has established its company travel plan in liaison with the urban travel plan for the city of Saint-Jean-de-Braye and in partnership with the Loiret General Council. In 2013, a space was reserved for the Maison online at the General Council's website at covoiturage.com. Partnered with Tao, the metropolitan area's transport network, two bus lines were changed to suit the teams' work schedules. The electric bike

rental service was continued with nineteen bikes leased for staff and six public bikes for in-house use.

ENERGY PERFORMANCE OF SITES

In term of energy management, the Maisons are continuing with a large number of different initiatives.

In the wake of the Carbon Footprint® they performed on their sites and businesses, the Maisons identified different key areas for action concerning energy management of buildings and stores, specifically by performing energy audits.

MANAGEMENT PROCESSES

The Maisons are particularly involved in management strategies.

The Belvedere distillery at Żyrardów in Poland, for example, has always been exemplary in terms of environmental management. ISO 14001-certified since 2007, the

site has been the subject of numerous initiatives to improve its environmental performance, particularly its energy consumption.

By substituting natural gas for fuel oil, the site has achieved a 30% reduction in its greenhouse gas emissions over 2012 and 2013. In October 2013, a plan to reuse the heat generated by the distillation processes was initiated.

ENERGY SAVINGS INITIATIVES

Various Maisons are working on projects that feature a combination of building insulation and energy management and recovery in accordance with the highest environmental standards. The adjustment of certain technical installations, for instance, resulted in a 10% reduction in consumption of electricity at Louis Vuitton's Sainte-Florence workshop. Some workshops have also benefited from having machines replaced by others that are more energy-efficient, for example at Saint-Pourçain where its new condensation boilers should result in a 30% increase



BEST PRACTICES FLEET MANAGEMENT

A forerunner in the use of energy-efficient vehicles, the Hennessy Maison has since 2009 conducted a “sustainable transport” action plan aimed at modernizing its fleet of vehicles. Currently, 20% of the fleet is made up of green vehicles, including five Peugeot iOn electric cars, three Peugeot Partner electric vans and eight Toyota Auris hybrids. In addition, nearly sixty employees received training in energy-efficient driving. Four recharging stations were installed at the La Vignerie production site in Châteaubernard. Lastly, a solar-powered boat is now used in the tour of the Maison on the Charente river.



The Belvedere distillery in Poland.

BEST PRACTICES ENERGY PERFORMANCE

- Following completion of the energy analysis of its Beauvais site, LVMH Fragrance Brands began an action plan for 2012 and 2013 focusing on various technical improvements. For example, replacing the automated pilot system of heating boilers, coupled with replacing the cooling unit of the premises, saves electricity and natural gas estimated at 2 MWh and 20 MWh, of electricity and natural gas respectively, i.e. 4.4 metric tons CO₂ equivalent in all. Putting thermostats on heaters and eliminating heaters that are no longer needed results in even greater savings estimated at 5 MWh and 158 MWh, for electricity and natural gas respectively, i.e. a total of 33.7 metric tons CO₂ equivalent.
- Louis Vuitton's new warehouse and repair workshop in Shanghai is being very innovative, particularly by installing LEDs in the quality control area, adding skylights, and installing centralized air conditioning management systems, which immediately resulted in a 15% decrease in energy consumption over 12 months.
- Bulgari Hong Kong signed the Charter for energy savings on indoor temperatures initiated by the Government, committing it to maintain the average interior temperature of the office at between 24 and 26 °C during the summer months.

in efficiency. In 2012, the Group's Champagne Maisons launched an ambitious energy performance program based on a target of 25% energy saved over the next five years. The program involves nineteen initiatives, with a return on investment averaging three to five years for an investment of €1.5 million. The energy performance policy of the Champagne Maisons involves six areas: metering and indicators, energy efficiency, establishing a technical energy performance committee, making Mont-Aigu a best practices "laboratory", thermal auditing of buildings, and energy purchasing and optimized use of energy savings certificates. In 2013, for industrial refrigeration production, installing a heat exchanger at Moët & Chandon recovered heat for preheating water and reduced the site's consumption of natural gas by 25%. In 2012, LVMH set up a "Store Lighting Working Group" specifically tasked with the regulatory, technical and measurement challenges related to store energy consumption. Its goal was to boost efforts to reduce lighting-related energy consumption. LED technology is one effective way of reducing energy consumption and CO₂



emissions. This type of lighting is also better for showcasing the Maisons' products. In September 2013, LVMH therefore launched the "LVMH Lighting" program, whose aim is to secure and optimize the sourcing of energy-efficient lighting equipment for stores, production and storage sites, and for office areas. In addition to promoting LED technology, the program aims to ensure that lighting meets the Maisons' exceptionally high standards. A dozen pilot stores of varying sizes and located in different regions have been selected for the program and fitted with measurement points to determine the most effective ways to reduce energy consumption (see page 46).

In the Selective Retailing group, Sephora mapped the issues relating to air conditioning and the needs identified in its stores in 2013, differentiating specifically between the stores in shopping centers and those in downtown areas, and taking into account the diverse range of geographical locations and customer flows.

Sephora is examining the various ways of optimizing and using new technologies to solve air conditioning issues.

RENEWABLE ENERGY

The Group is also focusing on the increased use of renewable energy. In 2013, TAG Heuer built its new watch movement manufactory in Chevenez, Switzerland, incorporating over 600 m² of solar panels on the roof of the building, with an annual capacity of 86,400 kWh; this was coupled with installing triple-glazed windows with automated monitored management of the air conditioning/ventilation system. At the instigation of Leonardo DiCaprio, TAG Heuer's facilities at La Chaux-de-Fonds now have the largest solar roof installed in western Switzerland. The photovoltaic installation with its total surface area of 777 m² produces the equivalent of the annual average consumption of more than 40 households, or 108,000 kWh, all of which is redistributed to consumers through the electricity grid. Other Maisons, including Terrazas de los Andes, have



TAG Heuer's photovoltaic installation at La Chaux-de-Fonds.

taken every opportunity to initiate new projects, for example, installing 60 m² of solar panels. The result has been a 60% drop in energy consumption. In Italy, Bulgari obtained "Energrid" certification for its use of renewable energy at the Valenza and Solonghella manufacturing facilities. Lastly, Sephora Europe installed photovoltaic panels on the roof of its Santa Cristina e Bissone warehouse, near Milan, Italy.

One of Louis Vuitton's most significant projects is the ongoing program to produce solar power and hot water at the Fiesso d'Artico site in Italy, the San Dimas workshop in California and the Cergy 1 warehouse in France. The Cergy 1 warehouse alone has 2,000 m² of solar membranes and 64 solar panels. Commissioned in early October 2010, it produced close to 100 MWh of electricity in 2013.

It should be noted that in 2012 Louis Vuitton also installed 210 solar panels on the roof of its Tumon Sands Global store on the island of Guam. With 54 kWh of power generated, the store became the largest private energy producer in Guam.

ATMOSPHERIC EMISSIONS

Given the nature of the Group's activities, the only emissions that may have a significant impact on the environment are greenhouse gas emissions. Their emissions, estimated as metric tons of CO₂ equivalent (carbon dioxide), are generated from the energy consumption of the sites. They include both direct and indirect emissions (scope 1 and 2). Transport-related emissions (scope 3) are shown separately.

CO₂ emission factors are updated each year per energy source, particularly electricity. These updates can lead to significant change.

The other main emissions are volatile organic compounds (VOCs).

GREENHOUSE GAS EMISSIONS

Taking account of the consequences of climate change is something that is enshrined in LVMH policy. Since 2002, the Group has been assessing the Carbon

BEST PRACTICES LINKED TO LIGHTING

- For the Champagne Maisons, lighting accounts for 5 GWh/year of power consumption, or 17% of total electricity consumed by its Maisons. In fact, it is the second largest electricity consumption line item after industrial cooling.

Since 2008, at Moët & Chandon, 2,100 lights or tubes representing one third of the lighting have been replaced by more energy-efficient lights, resulting in a 13% reduction in electricity consumption for lighting, or a drop of 32 metric tons of CO₂ equivalent.

- One of the various initiatives undertaken by the Maisons is Loewe's installation of energy saving equipment to optimize the lighting at its Madrid-based development workshop and cutting center. It regulates the electric lighting so that it is synchronized with changes in the natural lighting. The result is an estimated 40% savings in energy consumption for lighting.



*Nicolas Martin-Johner,
Lighting Manager, LVMH Environment Department*

After ten years working with an architecture firm, followed by five years in the architecture department of Dior Parfums, Nicolas Martin-Johner joined LVMH's Environment Department in September 2013 as Lighting Manager. Nicolas, a graduate of the celebrated Camondo school in Paris, takes a few moments to share his personal passion for lighting.

"Lighting questions are strategic issues and have always been of interest to both Bernard Arnault and Jean-Baptiste Voisin, Director of Strategy. Lighting, now supervised by the Environment Department, is a key issue in the LIFE program's strategy of energy management and CO₂ impact reduction. My work therefore has multiple applications in terms of technical and environmental innovations that respect the identity of the brands and their standards of quality and visual appeal." The expertise acquired by Nicolas in lighting and LEDs (Light-emitting Diodes) is particularly crucial today. "Not only is this technology the best suited to showcasing the products in the Maisons' stores – it also meets the environmental challenges we face. Unlike fluorescent tubes, LED technology is ideal for incorporating light intensity control tools, which leads to additional energy savings. Lastly, good light can enhance the quality of life in offices and production sites." The challenge of lighting now involves working with the Maisons and

with the design and environment staff, while also actively monitoring suppliers. "Since this is a technology that is still fairly new and not standardized to a significant extent, the greatest problem is to find the right supplier and the right product. Audit work has therefore been conducted using the 'LIGHT QC' tool based on twenty parameters that establish the quality criteria for light. Launched in 2012, the LVMH Lighting program relies on the Store Lighting Working Group initiated by Sylvie Benard, Environment Director for the Group." Reviewing future goals and challenges, Nicolas thinks 2014 will be a pivotal year – an LVMH Lighting website will be launched that will allow pooled LED purchasing from benchmark global suppliers, a Suppliers' Day will be held in June, showcasing the innovations introduced by the various Maisons, and there will be a forum on the impact of lighting in the cellars of the Wines & Spirits Maisons. "I am lucky enough to work in a field where there is a tangible impact and a proven return. The Maisons are always extremely hospitable, though I take great care when I enter their historic portals. Almost every Maison is faced with a lighting issue, and the same situations often come up again and again – which is perfect for sharing best practices and negotiating best pricing from suppliers."

Footprint® of many of its Maisons, namely 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.

Le Bon Marché and Guerlain are two of the companies that measure their CO₂ emissions annually. Since 2008, there has been a decline of over 10%. To date, all of the Group's major Maisons have completed their carbon footprints and are working to implement priority initiatives.

The main efforts to reduce scope 1 and 2 greenhouse gas emissions are reducing energy consumption in stores (lighting and air conditioning) and optimizing energy consumption during manufacturing processes. A special working group comprising architects tasked with opening and refurbishing stores is working to identify the most efficient and economical lighting sources and bring them into general use. Greenhouse gases represented 223,314 tons of CO₂ equivalent in 2013, compared to 193,371 tons in 2012.

It should be noted that 47% of sales areas (Selective Retailing, Fashion & Leather Goods, Perfumes & Cosmetics, Watches & Jewelry) are not included in the consolidation. These areas generated estimated greenhouse gas emissions of 135,600 metric tons of CO₂ equivalent in 2013, versus 154,144 metric tons of CO₂ equivalent estimated for 2012.

The DFS and Sephora stores contribute significantly to electricity consumption and even more to greenhouse gas emissions.

This is explained by the fact that higher emission factors are applied in the host countries of these stores (Australia, China, New Zealand and the United States in particular). At equal electricity consumption, CO₂ emissions are proportionately higher than in France.

Transport activities also generate greenhouse gas. Although transportation is not carried out directly by the Group's companies, it is nevertheless subject to specific measures, such as the preference for maritime transport. The Group has begun detailed reporting on transportation:

- upstream transport: transport of raw materials and components to our production sites. Only the primary components and raw materials are included;

- downstream transport: transport of finished goods from our production sites to the distribution platforms.

Results are already available for the Group's principal Maisons. The following Maisons were included in the reporting scope this year: Moët & Chandon, Veuve Clicquot, Hennessy, Belvedere, Glenmorangie, Cloudy Bay, Cape Mentelle, Chandon Australia, Bodegas Chandon, Louis Vuitton, Céline, Parfums Christian Dior, Parfums Givenchy, Parfums Kenzo, Guerlain, Make Up For Ever, Cortech, Les Ateliers Horlogers and TAG Heuer. This reporting system will continue to be improved in coming years.

ADAPTING TO THE CONSEQUENCES OF CLIMATE CHANGE

In 2013, the Group held a forum on the various challenges involved in "adapting" to the consequences of climate change. In the medium term, changing viticultural practices is the major component of the Group's adaptation strategy. For the European vineyards, a number of different responses are possible depending on the magnitude of the climate change found. These responses include adjusting harvesting dates, modifying vine-growing methods (extending the rows, increasing the size of the vines, using irrigation in certain countries) and trying out new varieties. For the vineyards in Argentina and California, the major challenge is the availability of water. (See section "Efforts to save water resources" on page 33.)

Based on what is currently known by scientists, the vineyards in New Zealand and western Australia are least sensitive to climate change.

VOC EMISSIONS

LVMH also actively tracks the emissions of volatile organic compounds (VOCs)

BEST PRACTICES

- The monitoring system at the Belvedere distillery was strengthened after obsolete equipment was replaced and measurement and control parameters for the distillation process were improved.

Fuel oil was replaced by natural gas for all distillery equipment. CO₂ emissions were reduced by 30% based on a targeted reduction of 6,000 metric tons of CO₂ equivalent set in 2012.

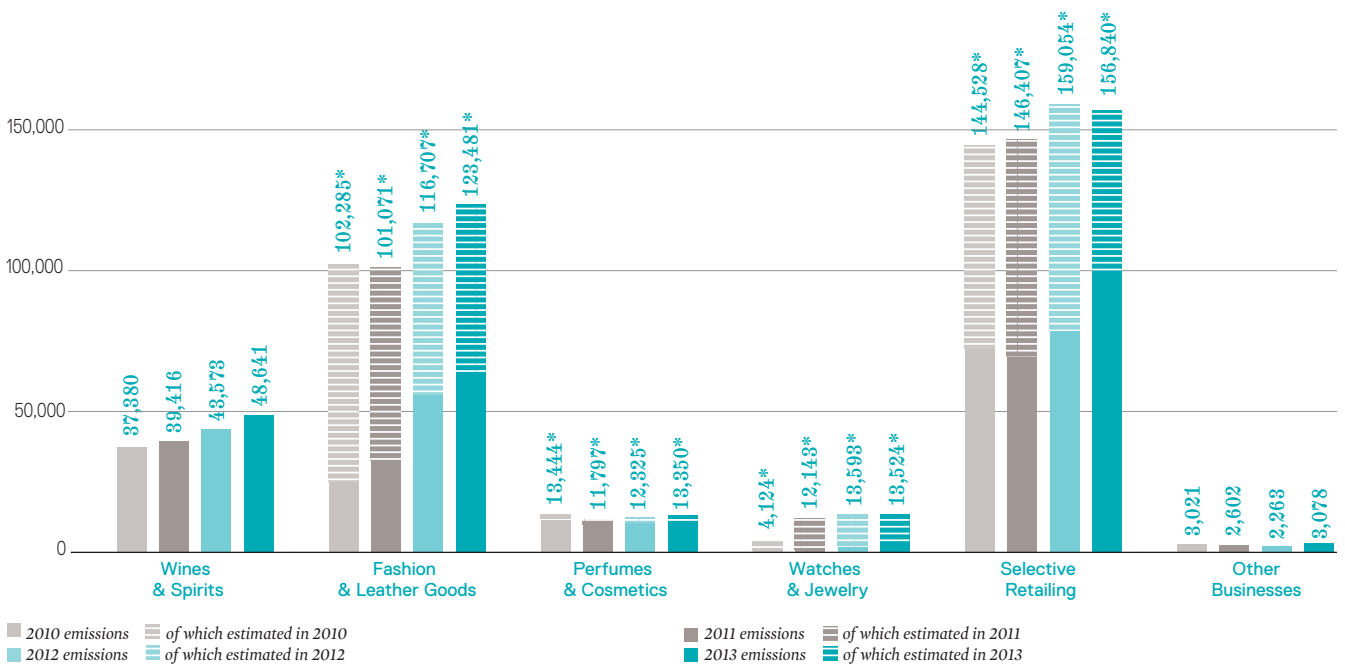
- Managing refrigeration fluids, some of which can cause significant warming, is also a major challenge. At its Beauvais facility, LVMH Fragrance Brands dismantled two air conditioners containing chlorodifluoromethane or R-22, one of the hydrochlorofluorocarbons (HCFC) used as refrigerants in refrigeration and air conditioning equipment. Make Up For Ever took similar measures at one of its two packaging workshops.

generated by the Wines & Spirits Maisons via the evaporation of alcohol during the aging in casks, and to a lesser extent those generated by the Perfumes & Cosmetics and Fashion & Leather Goods Maisons, which sometimes use volatile substances (adhesives or solvents) in their manufacturing processes. At Louis Vuitton, for example,

the use of solvent-based adhesives has been virtually eliminated in the leather goods workshops and replaced by water-based adhesive. This responsible practice has been extended to small leather goods and belts. Use of solvent-based adhesives has been reduced by 64% over the first nine months of 2013 for the Barbera workshop in

Spain. Solvent-based adhesive now accounts for only 6% of total adhesives used. In the Issoudun workshops, the goal of total elimination and replacement with water-based adhesive was achieved at the end of 2013. None of the new leather goods workshops uses solvent-based adhesive.

CHANGE IN GREENHOUSE GAS EMISSIONS BY BUSINESS GROUP (in metric tons of CO₂ equivalent)



* Estimates of greenhouse gas emissions for sales areas excluded from the scope of reporting and audit (47% in 2013, 54% in 2012 and 60% in 2011 and 2010) are shown separately.

DETAILS OF DIRECT AND INDIRECT EMISSIONS BY YEAR

(in metric tons of CO₂ equivalent)

	2013			2012			2011		
	Total	Percentage of direct emissions	Percentage of indirect emissions	Total	Percentage of direct emissions	Percentage of indirect emissions	Total	Percentage of direct emissions	Percentage of indirect emissions
Wines & Spirits	48,641	68	32	43,573	67	33	39,416	64	36
Fashion & Leather Goods	123,481	6	94	116,707	5	95	101,071	4	96
Perfumes & Cosmetics	13,350	46	54	12,325	41	59	11,797	40	60
Watches & Jewelry	13,524	8	92	13,593	9	91	12,143	7	93
Selective Retailing	156,840	1	99	159,054	4	96	146,407	4	96
Other Businesses	3,078	31	69	2,263	31	69	2,602	34	66
TOTAL	358,914	14	86	347,515	14	86	313,436	13	87

These values include the estimates of greenhouse gas emissions for the sales areas excluded from the scope of reporting and audit (47% in 2013, 54% in 2012, and 60% in 2011 and 2010).

UPSTREAM TRANSPORT IN 2013: GREENHOUSE GAS EMISSIONS

(in metric tons of CO₂ equivalent)

	Road	Rail	Air	Maritime	Total
Wines & Spirits	13,524	32	47	230	13,833
Fashion & Leather Goods	7,156	—	4,099	1	11,256
Perfumes & Cosmetics	21,842	—	7,309	161	29,312
Watches & Jewelry	6	—	893	1	900
Selective Retailing	—	—	—	—	—
TOTAL	42,528	32	12,348	393	55,301

DOWNSTREAM TRANSPORT 2013: GREENHOUSE GAS EMISSIONS

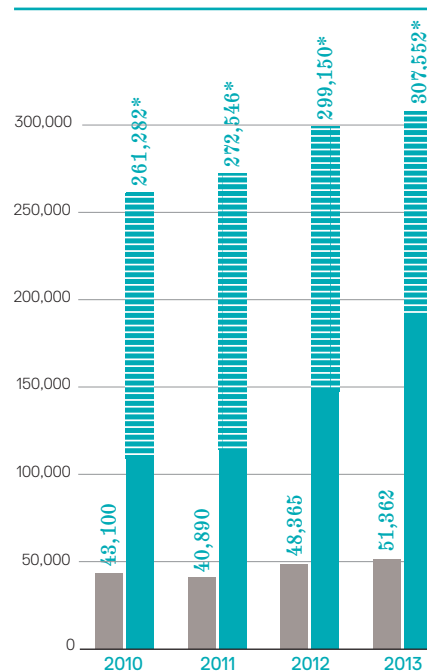
(in metric tons of CO₂ equivalent)

	Road	Rail	Air	Maritime	Total
Wines & Spirits	24,128	395	3,039	16,985	44,547
Fashion & Leather Goods	314	6	86,398	2,321	89,038
Perfumes & Cosmetics	3,785	—	113,446	941	118,172
Watches & Jewelry	17	—	5,981	—	5,998
Selective Retailing	1,910	—	8,216	—	10,126
TOTAL	30,154	401	217,080	20,247	267,882

Bulgari, Céline, Château Cheval Blanc, Château d'Yquem, Chaumet, Les Échos, Hublot, Le Bon Marché, Marc Jacobs and Thomas Pink have not reported their data for this indicator.

CHANGE IN GREENHOUSE GAS EMISSIONS

(in metric tons of CO₂ equivalent)



■ Direct greenhouse gas emissions in t CO₂ eq
■ Indirect greenhouse gas emissions in t CO₂ eq
■ Estimated indirect greenhouse gas emissions in t CO₂ eq

* Estimates of greenhouse gas emissions for sales areas excluded from the scope of reporting and audit (47% in 2013, 54% in 2012, and 60% in 2011 and 2010) are shown differently: 135,600 tons of CO₂ eq in 2013, 154,144 tons of CO₂ eq in 2012, 158,074 tons of CO₂ eq in 2011, and 154,124 tons of CO₂ eq in 2010.

Additional information is shown in LVMH's 2013 Registration Document.

Environmental indicators have been verified by the Group's Statutory Auditors since 2002 and have been based on a reasonable level of assurance since 2008.

Questions for the Group may be addressed to: environnement@lvmh.fr.

SUMMARY OF INFORMATION RELATING TO THE DECREE OF APRIL 24, 2012

Available on the Group's website, this "2013 Environmental Report" and the "2013 Registration Document" provide information on the environmental issues and data stipulated in the Decree of April 24, 2012 implementing Article 225 of Law no. 2010-788 of July 12, 2010 on France's commitment to the environment (known as Grenelle 2). The environmental information audit is the subject of a report issued by an independent third party in accordance with the Decree of May 13, 2013.

ITEMS IN THE DECREE OF APRIL 24, 2012

RELEVANT CHAPTERS AND PARAGRAPHS OF THE "2013 ENVIRONMENTAL REPORT"

ENVIRONMENTAL INFORMATION

General environmental policy

Organization of the company to take account of environmental issues	<ul style="list-style-type: none"> · LIFE Program (LVMH Indicators For Environment), p. 22 · Chapter "Management and educational support", p. 08 <ul style="list-style-type: none"> - including § "An appropriate structure and resources", p. 08 - including § "Environmental management", p. 13
Where applicable, environmental evaluation or certification procedures	<ul style="list-style-type: none"> · Chapter "Key management and certification processes", p. 12 <ul style="list-style-type: none"> - including § "Environmental management", p. 13 - including § "Building standards", p. 15 - including § "Responsible Jewellery Council", p. 16 · § "Energy performance of sites", p. 43
Staff training and information initiatives conducted relating to protection of the environment	<ul style="list-style-type: none"> · § "Incorporating environmental concerns into design", p. 22 · § "In-house training", p. 09 · § "Events", p. 10
Resources dedicated to environmental risk and pollution prevention	<ul style="list-style-type: none"> · Chapter "Environmental excellence of internal production procedures and subcontractors", p. 33 · Chapter "Key management and external certification processes", p. 12 <ul style="list-style-type: none"> - including § "Investments to promote the environment", p. 12 - including § "Managing compliance and risk prevention", p. 12
Amount of provisions and warranties for environmental risks, provided this information is not likely to seriously harm the company in an ongoing dispute	<ul style="list-style-type: none"> · § "Managing compliance and risk prevention", p. 12

Pollution and waste management

Measures to prevent, reduce or repair pollution that seriously impacts the environment	<ul style="list-style-type: none"> · Chapter "Environmental excellence of internal production procedures and subcontractors", p. 33
In the air	<ul style="list-style-type: none"> · § "Atmospheric emissions", p. 47
In the water	<ul style="list-style-type: none"> · § "Soil use and prevention of soil and water pollution", p. 35
In the soil	
Measures to prevent, recycle and eliminate waste	<ul style="list-style-type: none"> · § "Waste reduction and recovery", p. 36
Consideration of sound nuisances and any other form of pollution specific to an activity	<ul style="list-style-type: none"> · § "VOCs emissions", p. 48

Sustainable use of resources

Water consumption and supply based on local requirements	- § "Efforts to save water resources", p. 33
Consumption of raw materials and measures taken to improve their efficient use	- Chapter "Incorporating environmental concerns into design", p. 22 - Chapter "Safeguarding access to responsibly sourced raw materials and protecting biodiversity at the outset", p. 24 - § "Responsible Jewellery Council", p. 16
Energy consumption	- § "Energy management", p. 39
Measures taken to improve energy efficiency	- § "Energy savings", p. 44 - § "Energy performance of sites", p. 43
Use of renewable energies	- § "Renewable energy", p. 45
Soil use	- § "Soil use and prevention of soil and water pollution", p. 35 - § "Sustainable viticulture", p. 25 - § "Wines & Spirits certifications", p. 14

Climate change

Greenhouse gas emissions	- Chapter "Energy management and CO ₂ impact reduction", p. 39 - § "Building standards", p. 15 - § "Greenhouse gas emissions", p. 47
Adapting to the consequences of climate change	- § "Adapting to climate change", p. 48

Biodiversity protection

Measures taken to preserve or develop biodiversity	- Chapter "Incorporating environmental concerns into design", p. 22 - Chapter "Safeguarding access to responsibly sourced raw materials and protecting biodiversity at the outset", p. 24
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INFORMATION RELATING TO SOCIAL COMMITMENTS TO SUSTAINABLE DEVELOPMENT

Territorial, economic and social impact of the company's business

On neighboring or local populations	- Chapter "Environmental excellence of internal production procedures and subcontractors", p. 33 - § "Public awareness campaigns", p. 12 - § "Building standards (HQE®)", p. 15 - Chapter "Project partnerships and professional collaboration", p. 17
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Relationships with individuals or organizations affected by the company's business, particularly non-profit associations aimed at integrating people into society and work, educational establishments, environmental advocacy associations, consumer associations and local residents associations

Conditions for dialog with these individuals or organizations	- Chapter "Project partnerships and professional collaboration", p. 17 - § "Collaborations", p. 25 - § "Public awareness campaigns", p. 12 - § "The ability to answer customers' questions about the environment and health", p. 30
Partnership or sponsorship actions	- Chapter "Project partnerships and professional collaboration", p. 17

Outsourcing and suppliers

Consideration of environmental issues in purchasing policy	- Chapter "Environmental and social responsibility of suppliers and subcontractors" p. 33
Importance of outsourcing and consideration of the environmental responsibility of suppliers and subcontractors in relations with them	- § "Suppliers", p. 13

Fair practices

Measures taken to promote consumer health and safety	- Chapter "Material traceability and compliance", p. 29 - § "Environmental labeling", p. 22
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METHODOLOGY FOR THE LVMH GROUP'S ENVIRONMENTAL REPORTING

The LVMH Group has been consolidating environmental indicators since 1999, which 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 Group's Registration Document and Environmental Report.

PROTOCOL

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. Requests to read this protocol should be addressed to: environnement@lvmh.fr.

REPORTING SCOPE

The reporting scope of the environmental indicators in 2013 is detailed opposite.

The industrial, logistical and administrative sites not covered by the environmental reporting are mainly excluded for operational reasons and are not material. A five-year consolidation plan is being implemented.

REPORTING TOOL AND METHODOLOGY

The system used for environmental reporting is an in-house Web-based tool consisting of two types of questionnaire:

- a questionnaire that compiles the corporate data: training, packaging;
- one (or more) questionnaire(s) that compile(s) data specific to the industrial sites; water and energy consumption, waste production (volume and type of waste), waste treatment, etc.

In all, some fifty types of information are collected from each Maison. The data are then checked and automatically consolidated in a central file, which has numerous control and alert mechanisms (for abnormal data, unit problems, etc.).

INTERNAL AND EXTERNAL ASSESSMENTS

Consistency controls are conducted by the sites (data is compared with that of the previous year) and again when the data is being consolidated by the LVMH Environmental Department (abnormalities, previous year comparison, etc.).

Some environmental indicators are also verified externally by one of the Group's Auditors whose conclusions are presented in their reasonable assurance report on certain environmental indicators.

SELECTION AND RELEVANCE OF INDICATORS

The purpose of the published environmental indicators is to report to stakeholders on the Group's annual environmental results. They provide information on the issues and environmental data considered relevant to the businesses.

PRODUCTION SITES, WAREHOUSES AND ADMINISTRATIVE SITES

(in number)	2013
Sites covered	213
Sites not covered	26 ⁽¹⁾
TOTAL NUMBER OF SITES	239

(1) Mainly including the La Comète tannery (Belgium), the De Beers workshop and the administrative sites of Benefit, Fresh, Pucci, Acqua di Parma, Marc Jacobs, De Beers, StefanoBi and Donna Karan.

SALES AREAS INCLUDED IN THE REPORTING SCOPE, BY INDICATOR

(as a percentage of total sales area or Maison sales areas) ⁽¹⁾	Energy consumption, greenhouse gas emissions		Water consumption	
	2013 ⁽²⁾	2012	2013 ⁽³⁾	2012
TOTAL GROUPE	53	46	19	24
<i>DFS</i>	64	70	42	53
<i>Louis Vuitton</i>	51	43	15	10
<i>Sephora Americas</i>	61	57	21	53
<i>Sephora Europe</i>	74	45	11	10

(1) The reporting scope does not include the franchise stores operated by the Fashion & Leather Goods, Perfumes & Cosmetics, and Watches & Jewelry business groups.

(2) Also includes all France-based stores of Berluti, Givenchy, Guerlain, Kenzo, Le Bon Marché, Make Up For Ever, and selected stores of Bulgari, Céline, Chaumet, De Beers, Fendi, Loewe, Marc Jacobs and Thomas Pink.

(3) Also includes certain Berluti, Bulgari, De Beers, Fendi, Kenzo and Guerlain stores.

WATER CONSUMPTION

Water consumption is expressed in cubic meters. This indicator measures the amount of water consumed, based on the following two needs:

- agricultural need: measurement of quantities of water used for irrigation (banned in France) and sprinkling the vines (to fight frost). The water volume used is either measured directly or, more commonly, estimated;
- process need: measurement of all non-agricultural needs (industrial and sanitary processes, cleaning, spraying green areas, etc.). This water consumption is almost always measured.

WATER POLLUTION

Water pollution is expressed in metric tons of COD (chemical oxygen demand).

This indicator reflects the total annual flow discharged by the sites into the natural environment, after treatment at, or downstream of, the site.

The only sectors concerned with this parameter are Wines & Spirits, Fashion & Leather Goods, and Perfumes & Cosmetics, for which discharges of organic matter and other pollution from effluents are significant and directly related to operations. The frequency of the measures taken by the Maisons that contribute most pollution complies with local regulations but remains limited with regard to the changes noted in the quantities discharged.

WASTE PRODUCTION

All waste produced is assessed in metric tons. The waste taken into account is hazardous and non-hazardous waste produced by sites during the reporting period. The method for treating each type of waste is also identified in order to measure the recycling rate.

The various methods used to recycle waste are:

- reuse: the waste is used for the same purpose for which the product was initially designed (e.g. in the Wines & Spirits segment, bottles resold to third parties);
- material recovery which includes:
 - recycling: waste is directly reintroduced into the production cycle from which it came to replace partially or completely a virgin raw material (such as paperboard and certain plastics),
 - organic recycling: composting, controlled spreading of organic waste to fertilize soil, etc.,
 - energy recovery: incineration with recovery of energy from combustion in the form of electricity or heat.

ENERGY CONSUMPTION

Energy consumed is expressed in MWh and represents all types of energy used by the sites (electricity, natural gas, fuel oil, heavy oil, steam, chilled water and butane/propane) and company vehicles.

The information set out in this document also reflects the guidelines in Version 4.0 of the Global Reporting Initiative (GRI). The information and environmental indicators of the GRI presented in this report are as follows:

Strategy and analysis

G4-1	pp. 3 and 4
G4-2	p. 7

Profile of the organization

G4-3 to G4-16	Information can be found in the LVMH 2013 Annual Report which can be downloaded from the Group's website.
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Profile of the report

G4-28 to G4-31	p. 52 to 54
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Environment

G4-EN1	pp. 24 and 25
G4-EN3	pp. 39 to 41
G4-EN6	p. 44
G4-EN8	pp. 34 and 35
G4-EN9	pp. 33 and 34
G4-EN12	pp. 25 to 27
G4-EN15	pp. 48 and 49
G4-EN16	pp. 48 and 49
G4-EN17	p. 49
G4-EN19	pp. 39 to 49
G4-EN21	p. 48
G4-EN22	p. 34
G4-EN23	pp. 37 and 38
G4-EN27	pp. 22 to 24
G4-EN30	p. 40
G4-EN31	p. 12
G4-EN32	p. 32

GREENHOUSE GAS EMISSIONS

This indicator is expressed in metric tons of CO₂ equivalent and corresponds to greenhouse gas emissions related to the energy consumed by sites. It covers direct and indirect greenhouse gas emissions.

UPSTREAM AND DOWNSTREAM TRANSPORT

This indicator is expressed in metric tons/kilometer and metric tons of CO₂ equivalent. A distinction is made between upstream transport and downstream transport:

– upstream transport: this is the number of kilometers traveled by the raw materials and components from the last site of supplier n-1 to the first receiving site. The evaluation is made at the very least on the main components and main products.

- Wines & Spirits: bottles, boxes, corks
- Perfumes & Cosmetics: perfume bottles, cases
- Fashion & Leather Goods: leathers, metal parts, packaging, ready-to-wear
- Watches & Jewelry: boxes, cases, containers
- Selective Retailing: store bags, envelopes, boxes;

– downstream transport: this is the number of kilometers traveled by all finished goods from the manufacturing site to the first wholesale platform or to stores (for Selective Retailing business groups and brands that have stores).

PACKAGING PLACED ON THE MARKET

This indicator is expressed in metric tons of material. It includes primary and secondary packaging placed on the market

by all Group Maisons. The packaging used for shipments during transportation is excluded from this indicator.

TRAINING AND AWARENESS SESSIONS

This indicator is expressed in hours. It includes all training and awareness sessions completely or partly dedicated to the environment, specifically:

– training of employees to reduce their impact on the environment (energy consumption, handling of hazardous products, training in environmental regulations, training for HSE officers, training in environmental audits, water management, waste management, sustainable grape-growing);

– general environmental training/awareness (major challenges: greenhouse gases, biodiversity, education of harvesters) and training in environmental management systems (ISO 14001, etc.);

– training given by the holding company (orientation seminar for new managers, attendance at Environmental Committee meetings, involvement of the LVMH Environmental Department in executive committees or other meetings, etc.);

– the hours devoted by in-house environmental trainers (sustainable development week, World Water Day, HSE officer who conducts training/awareness sessions, etc.).

PERCENTAGE OF SITES THAT HAVE UNDERGONE AN ENVIRONMENTAL AUDIT

This indicator represents the number of sites that have been subject to an environmental audit (internal or external) during the year, out of the total number of sites. The audits included in this indicator must cover:

– environmental performance (waste; atmospheric, water and soil discharges; energy and water consumption; noise, etc.);

– an assessment of environmental risk (flood, fire, etc.);

– the company's regulatory compliance;

– an assessment of the environmental management system (monitoring audit, internal audit, certification audit, etc.) and/or the performance of its environmental management system.

These audits are validated by a written audit report which sets out recommendations.

The sites included in the scope of this indicator are production sites, warehouses and administrative sites owned and/or operated by companies controlled by the Group. These audits do not cover stores.

EXPENDITURE INCURRED TO AVOID THE IMPACT OF ACTIVITIES ON THE ENVIRONMENT

This indicator is expressed in thousands of euros. It includes the following expenditures and investments made to avoid the impact of economic activities on the environment:

– expenditure to protect ambient air and climate;

– expenditure for waste water management;

– expenditure for waste management;

– expenditure to prevent noise and vibrations (excluding protection of the workplace);

– expenditure to protect biodiversity and the landscape;

– expenditure on research and development;

– expenditure for other environmental protection operations.

ASSURANCE REPORT OF ONE OF THE STATUTORY AUDITORS ON SELECTED ENVIRONMENTAL INDICATORS

For the attention of the Chief Executive Officer:

As requested, and as Auditors of LVMH Moët Hennessy Louis Vuitton, we submit our report on selected environmental indicators presented in the LVMH Environmental Report for fiscal year ending December 31, 2013.

RESPONSIBILITY OF THE COMPANY

It is the responsibility of the Environmental Department of LVMH Moët Hennessy Louis Vuitton to establish the indicators selected in accordance with the standards developed by it and to ensure that they are made available. The Standards (LVMH environmental reporting protocol, hereinafter "the Standards") are summarized in the section "Methodology for the LVMH Group Environmental Reporting" that is available from the Environment Department at the following address: environnement@lvmh.fr.

INDEPENDENCE AND QUALITY CONTROL

Our independence is defined by statutory texts, the profession's code of ethics, and the provisions contained in Article L. 822-11 of the French Commercial Code. We have also established a quality control system that includes documented policies and procedures to ensure compliance with rules of ethics, professional standards, and applicable laws and regulations.

RESPONSIBILITY OF THE STATUTORY AUDITOR

It is our responsibility, on the basis of our audits, to express:

- a moderate degree of assurance in concluding that, in respect of the first selected environmental indicators⁽¹⁾, they include no material irregularity that might call into question their presentation in all material aspects in accordance with the Standards;

- a reasonable degree of assurance in concluding that, in respect of the second selected environmental indicators⁽²⁾, an accurate and fair view is presented in all material aspects in accordance with the Standards.

The conclusions set forth below relate only to these indicators and not to all of the environmental indicators contained in the Environment Report nor to the environmental information published in the company's 2013 Registration Document. The conclusions do not cover the data concerning retail sales activities that are not directly included in the scope of the

environmental indicator data collected and that are estimated by extrapolation.

We have performed the work described below in accordance with the professional standards applicable in France and the international standard ISAE 3000⁽³⁾.

1. MODERATE ASSURANCE REPORT ON SELECTED CSR INDICATORS

NATURE AND EXTENT OF THE AUDITS

Our work consisted of:

- assessing the appropriateness of the Standards with regard to their relevance, completeness, reliability, neutrality and its ease of comprehension, taking account, where applicable, of best practices in the sector;
- at the Group level:

- conducting interviews with those responsible for reporting the indicators,
- conducting an analysis of material relevance and the risk of anomalies,
- evaluating application of the Standards, implementing analytical procedures and consistency tests, and verifying consolidation of the indicators, based on samples;

- selecting a sampling of Maisons that were representative of the businesses and geographic locations, based on their contribution to the indicators and risks of anomaly previously identified:

- the entities selected represent between 33% and 98% of the quantitative environmental information published by LVMH Moët Hennessy Louis Vuitton (particularly, for greenhouse gas emissions, 71% of scope 1 emissions, 33% of scope 2 emissions and 51% of the emissions generated by downstream transport included in scope 3),
- at this level, we verified the comprehension and application of the Standards and conducted detailed tests based on sampling, which consisted of verifying the calculation formulas and reconciling the data with the supporting documents;
- reviewing the presentation of the indicators in the LVMH Environmental Report.

Based on our work, we noted no significant irregularity that might call into question the fact that the environmental indicators "Total chemical oxygen demand after processing" (metric tons/year) and "Downstream transport of finished goods" (metric tons-kilometer) have been prepared in all material aspects in accordance with the Standards.

CONCLUSION

Based on our work, we noted no significant irregularity that might call into question the fact that the environmental indicators "Total chemical oxygen demand after processing" (metric tons/year) and "Downstream transport of finished goods" (metric tons-kilometer) have been prepared in all material aspects in accordance with the Standards.

2. REASONABLE ASSURANCE REPORT ON SELECTED CSR INDICATORS

NATURE AND SCOPE OF THE WORK

With regard to the second selected environmental indicators, we conducted work similar to the work described in paragraph 1 above for the initial selected environmental indicators, but this time in greater depth, particularly in terms of the number of tests performed.

CONCLUSION

In our opinion, an accurate and fair view, in all material aspects, is presented of the environmental indicators "percentage of sites subject to environmental audits" (total water consumption for "process" needs, m³); "total waste produced" (metric tons), "total hazardous waste produced" (metric tons), "percentage of waste recovered" (total energy consumption in MWh), "percentage greenhouse gas emissions" (metric tons of CO₂ equivalent) and "total packaging placed on the market" (metric tons), in accordance with the Standards.

3. COMMENTS ON THE STANDARDS AND THE INDICATORS

Although we are not calling the above conclusion into question, we would draw your attention to the following:

- concerning its retail activities, LVMH Moët Hennessy Louis Vuitton presents the data derived directly from the indicator data collected separately from the data estimated by extrapolation. The proportion of estimated data remains significant;
- the controls performed by some of the Maisons are still insufficient. Those performed at Group level correct the main gaps identified at the level of those Maisons;
- for calculation of the indicator "percentage of waste recovered", traceability of the processing segments is not systematically guaranteed;
- as specified in the "Methodology for the LVMH Group's Environmental Reporting", for calculation of the indicator "chemical oxygen demand", the frequency of the measures implemented by the Maisons that contribute the most pollution complies with the local regulations but remains limited with regard to the changes noted in the quantities discharged.

Paris-La Défense, April 7, 2014

The Statutory Auditor
Ernst & Young and others

Gilles Cohen
Partner

Éric Mugnier
Sustainable Development Expert

(1) Total COD after processing (metric tons/year); downstream transport of finished goods (metric tons-kilometer). (2) Percentage of sites that have been the subject of environmental audits (%); total water consumption for "process" needs (m³); total waste produced (metric tons); total hazardous waste produced (metric tons); percentage of waste recovered (%); total energy consumption (MWh); greenhouse gases from scope 1 and 2 (metric tons of CO₂ equivalent); total packaging placed on the market (metric tons). (3) ISAE 3000 – Assurance engagements other than audits or reviews of historical information.

PHOTOGRAPHS

Cover: Belvedere vodka packaging chain – Lorenzo Castore, Agence VU
Inside: Lorenzo Castore, Agence VU – Karl Lagerfeld – Paolo Verzone, Agence VU – Maia Flore, Agence VU –
Ian Teh, Agence VU – Louis Vuitton Foundation – Picture libraries of LVMH and Group's Maisons.

LVMH

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