

**United Nations Global Compact**

# **Communication On Progress 2017**

LVMH

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MOËT HENNESSY ♦ LOUIS VUITTON



About main facts and best practices **for the year 2016-17**  
see more particularly informations linked to the pictogram :

**2016-17**

The other informations (policies, processes,...) are always available and pursued by LVMH.

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The Communication on Progress is in the following format :

**Stand-alone document**

What is the time period covered by your COP ?

Year “2016” in accordance with all reports of LVMH :

“2016 Reference document”	<a href="https://r.lvmh-static.com/uploads/2017/03/document-de-reference-2016-va.pdf">https://r.lvmh-static.com/uploads/2017/03/document-de-reference-2016-va.pdf</a>
“2016 Annual Report”	<a href="https://r.lvmh-static.com/uploads/2017/03/lvmh_ra_gb_2016.pdf">https://r.lvmh-static.com/uploads/2017/03/lvmh_ra_gb_2016.pdf</a>
“Environmental Report 2016”	<a href="https://r.lvmh-static.com/uploads/2017/04/lvmh_rapport-environment_2016en.pdf">https://r.lvmh-static.com/uploads/2017/04/lvmh_rapport-environment_2016en.pdf</a>
“2016 Social Responsibility Report”	<a href="https://r.lvmh-static.com/uploads/2017/08/2016-social-responsibility-report.pdf">https://r.lvmh-static.com/uploads/2017/08/2016-social-responsibility-report.pdf</a>

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

**Y/N**

### Statement from the CEO

« LVMH comprises a family of iconic brands that cultivate their magic and perpetuate exceptional know-how, a consistent strategy and an exceptionally broad, high-quality retail network. In addition to the intrinsic stability and financial strength of our company, our brands have been patiently built up over time.

- They take into account issues that are inseparable from our long-term strategy, namely the safeguarding of the natural environment, to which LVMH owes so much, corporate social responsibility, and strict ethical standards which we share with our suppliers, customers and shareholders. This intangible capital is paramount to our future success.
- LVMH is committed to stronger corporate citizenship : we strive to pass on our expertise, promote diversity and fulfilment among our employees, coach talent and support young designers, and protect the sometimes very scarce natural resources used in our products. The world is more and more concerned with such issues, and so are we as they form the foundation of our Group’s future. Alongside the development of our business, they must serve as a permanent wellspring of creativity.

With this “Communication on Progress 2017”, LVMH reminds that CSR and Sustainable development are inseparable from LVMH’s strategy based on four important dimensions : Social policy ; Economic performance ; responsible Environment ; commitment to citizenship »

**Bernard Arnault, Chairman and Chief Executive Officer**

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

Human Rights	Labour	Environment	Anti-Corruption
<b>Yes</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>

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

**Y/N**


How does your organization share its COP with stakeholders ?

**Through the UN Global Compact website only**

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

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

The Statutory Auditors and Independent Verifier ERNST & YOUNG & Associés conducted the work in accordance with the professional standards applicable in France and the Order of May 13, 2013 determining the conditions under which an independent verifier should conduct its mission, and with regard to the limited assurance and the reasonable assurance report, in accordance with the international standard ISAE 3000.

 See “Independent verifier’s report on consolidated employee-related environmental and social information” in “2016 Reference Document” (pp. 108-110).

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

**Provides information on the company’s profile and context of operation**

 See :

- ✓ “2016 Environmental Report” :
  - “The framework for action” (pp. 6-17)
  - “Note on the methodology of environmental reporting” (pp. 60-63).
- ✓ “Social Responsibility Report 2016” :
  - “Foundations of the Group’s Social Responsibility Policy” (pp. 9-19)
  - “Reporting methodology” (p. 72)
- ✓ “LVMH Snapshot – 2016 figures” (February 2017)  
(<https://r.lvmh-static.com/uploads/2017/01/snapshot-2016-ang-version-web.pdf>)
- ✓ “Snapshot shareholders 2016” (February 2017)  
(<https://r.lvmh-static.com/uploads/2017/02/snapshot-actionnaires-2016-va-1.pdf>)

Which of the following Sustainable Development Goals (SDGs) do the activities described in your COP address? *[Select all that apply]*

**SDG 1 : End poverty in all its forms everywhere**

**SDG 2 : End hunger, achieve food security and improved nutrition and promote sustainable agriculture**

**SDG 3 : Ensure healthy lives and promote well-being for all at all ages**

**SDG 4 : Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all**

**SDG 5 : Achieve gender equality and empower all women and girls**

**SDG 6 : Ensure availability and sustainable management of water and sanitation for all**

**SDG 7 : Ensure access to affordable, reliable, sustainable and modern energy for all**

- SDG 8 : Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all
- SDG 9 : Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation
- SDG 10 : Reduce inequality within and among countries
- SDG 11 : Make cities and human settlements inclusive, safe, resilient and sustainable
- SDG 12 : Ensure sustainable consumption and production patterns**
- SDG 13 : Take urgent action to combat climate change and its impacts**
- SDG 14 : Conserve and sustainably use the oceans, seas and marine resources for sustainable development
- SDG 15 : Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss**
- SDG 16 : Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels
- SDG 17 : Strengthen the means of implementation and revitalize the global partnership for sustainable development**

*[If you answered the previous question, the following appears]*

**With respect to your company's actions to advance the Sustainable Development Goals (SDGs), the COP describes:** *[Select all that apply]*

**Opportunities and responsibilities that one or more SDGs represent to our business**

*E.g., new growth opportunities; risk profiles; improved trust among stakeholders; strengthened license to operate; reduced legal, reputational and other business risks; resilience to costs or requirements imposed by future legislation.*

**Where the company's priorities lie with respect to one or more SDGs**

*Conducting an assessment on the current and potential, positive and negative impacts that your business activities have on the SDGs throughout the value chain can help you identify your company's priorities.*

**Goals and indicators set by our company with respect to one or more SDGs**

*Setting specific, measurable and time-bound sustainability goals helps foster shared priorities and drive performance. To do this : Define scope of goals and select KPIs ; define baseline and select goal type ; set level of ambition ; announce commitment to SDGs ; select indicators and collect data.*

**How one or more SDGs are integrated into the company's business model**

*Integrating sustainability has the potential to transform all aspects of the company's core business, including its product and service offering, customer segments, supply chain management, choice and use of raw materials, transport and distribution networks and product end-of-life. It involves anchoring sustainability goals within the business up to the board level, embedding sustainability across all functions, and engaging in partnerships.*

**The (expected) outcomes and impact of your company's activities related to the SDGs**

*Example : For a food company that sells nutritionally balanced breakfasts and lunches to primary schools, an output is the number of meals served. An outcome is the rate of malnutrition among children served. Impact is the company's contribution to SDG Target 2.1, "end hunger and ensure access by all people, in particular the poor and people in vulnerable situations, including infants, to safe, nutritious and sufficient food all year round."*

**If the companies' activities related to the SDGs are undertaken in collaboration with other stakeholders**

*E.g., United Nations agencies, civil society, governments, other companies*

# Implementing the Ten Principles into Strategies & Operations

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

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

### Blueprint For Corporate Sustainability Leadership

#### Mainstreaming into Corporate Functions and Business Units:

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

### 1. Commitment and involvement at the highest level :

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

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

	International agreements supported	Commitments signed
Cross-cutting issues	<ul style="list-style-type: none"> <li>« Universal Declaration of Human Rights »</li> <li>« OCDE Guidelines »</li> <li>« Kimberley Process »</li> <li>« Sustainable Development Goals (SDGs) » (2015)</li> </ul>	<ul style="list-style-type: none"> <li>« United Nations Global Compact » (2003)</li> <li>« Gordon Brown’s Millenium Development Goals » (2007)</li> <li>▪ Watches &amp; Jewelry business group of LVMH member of the RJC (Responsible Jewellery Council) (since 2011)</li> </ul>
Environment	<ul style="list-style-type: none"> <li>« Caring for Climate (voluntary and complementary action platform for UN Global Compact) »</li> <li>« CITES Conventions (on International Trade in Endangered Species) »</li> <li>« COP21 on Climate Change » (December 2015)</li> </ul>	<ul style="list-style-type: none"> <li>▪ « Copenhagen Communiqué on Climate Change » launched at the initiative of the Prince of Wales and Cambridge University (June 2009)</li> </ul>
Social	<ul style="list-style-type: none"> <li>« International Labour Organization conventions »</li> </ul>	<ul style="list-style-type: none"> <li>« Apprenticeship Charter » (June 2005)</li> <li>« Enterprise Charter for Equal Opportunity in Education » (December 2006)</li> <li>« Diversity Charter » (2007)</li> <li>« Charter for professional integration of disabled people » (November 13, 2009)</li> <li>« Women on the Board Pledge for Europe » (July 12, 2011)</li> <li>« Women’s Empowerment Principles » (November 13, 2013)</li> </ul>

The “Environmental Report 2016” (p. 14) and the “2016 Social Responsibility Report” (p. 76) present the different contributions of LVMH to the **Sustainable Development Goals** (SDGs).

**2016-17**



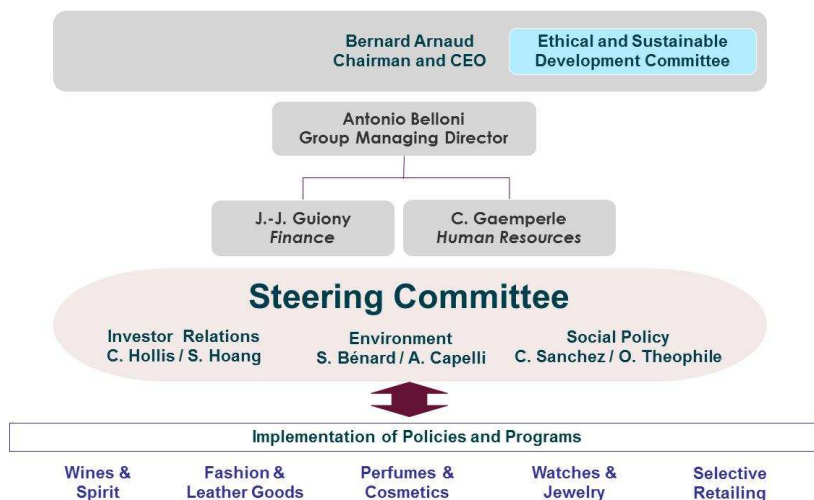
• **Responsibility for control and implementation :**

- The reporting on corporate sustainability is approved by the **Board of Directors**. « *The Board of Directors of LVMH, to which the Executive Management of the Group submits each year a report on the implementation of the Code’s principles, will be the body which ensures its correct application. In accordance with the principle of subsidiarity inherent to LVMH, the executive management team of each operational and legal entity is responsible for compliance with the principles of this Code. Any employee who notices a non-conformity to one of the principles stipulated within the Code should inform his or her hierarchy.* » [📖 See "LVMH Code of Conduct" (p. 19).]
- According to the "Charter of the Board of Directors", the **mission of the Board of Directors is especially to :**
  - disseminate the collective values that guide the Company and its employees and that govern relationships with consumers and with partners and suppliers of the Company and the Group ;
  - promote a policy of economic development consistent with a social and citizenship policy based on concepts that include respect for human beings and the preservation of the environment in which it operates.

[📖 See "2016 Reference Document" (p. 245).]
- At the beginning of 2016, a new **“Ethical and Sustainable Development Committee”**, composed of three members, has been put in place within Board of Directors (<https://www.lvmh.com/group/about-lvmh/governance/board-of-directors/>). A first overview of its activities has been published in the “2016 Reference Document” (page 120).

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**2. Management of actions :**



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

• **Social :** The functional departments of the Group, like RH Department and particularly **Social Development Department**, will support the Brands (in the implementation of commitments and regulations about CSR stakes linked to labour conditions) with a view to a consistent and uniform application of commitments and principles. The Social Development Department defines the Group’s strategy in the field

of Social Responsibility and as such reports to **Mrs Chantal GAEMPERLE, Director of Group Human Resources and Synergies and member of the Executive Committee.**

- The LVMH Holding relies on a **network composed of 40 Correspondents** belonging to business groups and Maisons. A special support for persons with disabilities is led by the **Mission Handicap** initiative and a **network of 35 disability correspondents**.
- Group companies, particularly in France, have works councils, employee representatives, as well as **health and safety committees**.
- Generating even greater synergies between the Maisons, the LVMH ecosystem was set up in 2012 to provide a new, highly collaborative approach, with the creation of a global HR community on the **Group intranet, “Voices”**, an intranet dedicated to the entire human resources community.
- **LVMH Mind** is an intranet dedicated to CSR, available to all staff.
- **Environment :**
  - Set up in 1992, the Environmental Department defines the Group’s strategy and as such reports to **Antonio BELLONI, Group Managing Director of the Executive Committee and member of Board of Directors**. The Group’s Environmental Department supports the Maisons in their respective initiatives, ensuring that the Environmental Charter is observed, and running the **Environment Committee** which brings together a **network of some 100 environmental correspondents** from the Maisons several times a year. The Environmental Department also runs a variety of specialist in-Maisons working groups which deal, for example, with the European REACH regulation, eco-design and energy consumption in stores.
  - Some Houses are adjusting their organizational structure in order to make incorporating environmental issues from the product design stage easier.
    - In 2014, for instance, **Guerlain** decided to set up a new body : a **Sustainable Innovation Committee**, which each quarter brings together the employees responsible for marketing and packaging in order to approve major decisions relating to eco-design.
    - **Louis Vuitton** has a similar committee, and steering groups for specific subjects such as recycling or ISO 14001 environmental certification.
    - **Fendi** followed their example in 2016, by setting up a LIFE Committee, which is attended by representatives of all its departments. The Committee organized five coordination meetings during the year in order to plan and monitor the initiatives to implement to achieve the objectives that have been set.
  - As a reminder, 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”.
- **Financial Communications Department** is responsible for managing relationships with investors and sustainability rating agencies.
- **Purchasing Department** : Reporting to the LVMH Operations Department, the Purchasing Department has a team of several expert purchasers and can rely on a network of many purchasing managers and correspondents at Group companies.
- Although the Maisons are represented within the Group’s Committee agent network, they also have their **own steering committees**. Each Maison has additional means, depending on local conditions and the size of its in-Maison projects.



► See also in this COP 2017 :

- ✓ social organization in :
  - “ Allocation of responsibilities and accountability for addressing human rights impacts” (pp. 41-42)
  - “ Allocation of responsibilities and accountability within the organization” (p. 51).
- ✓ environmental organization in :
  - “ Allocation of responsibilities and accountability within the organization” (pp. 75-77).

[📖 See :

- ✓ "2016 Environmental Report" (p. 8)
- ✓ Corporate social responsibility management in "2016 Social Responsibility Report" (pp. 15-16).]

## 2.2. Employee representation :

• Over the past few years, the LVMH group has taken on a strong European dimension, and the conversion of its legal structure into that of an SE (European Company) was in line with this development. As part of this conversion, an **European Company (SE) Works Council for LVMH SE was created**, made up of 27 members from the 21 European countries where the Group has a presence. The rules for this representative body were laid down in an agreement that was signed unanimously on July 7, 2014, by the elected employee representatives from these 21 countries and by the Group’s Executive Management.

In 2016, the Works Council met on April 7 during a plenary session. The next meeting will be held on April 7, 2017.

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As a result, the LVMH group’s employee representation system is now comprised of three levels:

- the Works Councils handle most employee-related issues, in keeping with the Group’s culture of decentralization ;
- the Group Works’ Council, created in 1985, is currently composed of 29 members who hold plenary meetings every year: employee representatives are given information and hold discussions with the Presidents of all the business groups on strategic orientations, economic and financial issues and Group human resources-related aspects ;
- lastly, the European Company (SE) Works Council for LVMH SE handles transnational issues at the European level.

• In France, Group companies have one or more of the following, depending on their workforce: a works council, a combined staff representative body (“Délégation Unique du Personnel”), employee representatives, and health and safety committees.

## 3. Incentive schemes :

• Several of our companies take into account CSR issues in **collective incentives** :

Certain Group companies have implemented an incentive program with assessments based on ESG (Environmental, Social and Governance) performance criteria. For example, under the three-year incentive agreement signed at **Parfums Christian Dior** in 2014 – applicable in 2014, 2015 and 2016 – a new waste recovery indicator was added : “Brand Waste Recycling”, which tracks the proportion of brand waste recycled. The amendment to the incentive agreement signed on June 29, 2016 continued application of the “Brand Waste Recycling” indicator. The agreement maintains the recycling rate at 44%.

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- Different subsidiaries developed initiatives for some employees categories aiming to take into account and experiment several topics in the performance appraisal :
  - **Health & Safety issues** (for example: decrease of work-related accidents), **decrease of turn-over and absenteeism, HR and satisfaction performance**, KPIs aiming to develop a more effective way to manage business (develop a team spirit and a better service to the customers).
  - **Environmental performance** is also taken into account : Some employees are offered incentives, such as environmental criteria included in profit-sharing contracts in the Wines and Spirits Houses, criteria being the reduction of energy or water consumption, or the quality of waste sorting. In order to encourage employees to go all out and achieve results, environmental criteria have been included in the calculation of profit-sharing since 2003 at Veuve Clicquot and since 2007 at Moët & Chandon. At Veuve Clicquot, three criteria were taken into consideration: water and energy consumption and the quality of selective sorting. At Moët & Chandon, an indicator has been developed, based on electricity consumption, which takes into account all the activities, from grape production to the final product, including all stages pressing, assembly, fermentation, racking, corking and packaging. In 2008, Hennessy included an environmental indicator in the calculation of employee incentive compensation. Approved by its social partners, this new criterion is based on paper consumption in terms of number of sheets used per person compared to Hennessy's total consumption at its two sites in Cognac and Paris. The goal is to achieve a 3% reduction. This initiative is part of the new environmental policy signed in June 2008 that sets, among other objectives, a means for employees to have a financial interest in the results achieved from their environmental commitment.

## Criterion 2 : The COP describes value chain implementation :

### Blueprint For Corporate Sustainability Leadership

#### Value Chain Implementation:

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

### 1. Formalized processes about risk exposure analysis :

The implementation of **risk management and internal control procedures** fully applies to the respect of ethical and good governance principles and the Group's commitment to Corporate Social Responsibility. The activities relating to the control and remediation of internal control weaknesses are reflected, documented and tracked as part of the management process that guides all of the Group's core entities. The Group's Guidelines may also be found on the Finance Intranet, together with specially designed tools for the evaluation, prevention and coverage of risks. These materials may be accessed by all personnel involved in the application of the Group's risk management procedures. [📖 See "2016 Reference Document" (pp. 122-129).]

- Since 2004, the Group has used a **risk mapping tool** which systematically identifies its industrial, environmental and operational risks on the basis of common standards. Ranking these risks clearly indicates the cases that must be treated as a priority. This information and warning tool ensures early action to reduce the probability that the dangers identified will occur.
  - **Risk assessment matrix** : Reporting to the LVMH Operations Department, the Purchasing Department has a team of several expert purchasers and can rely on a network of many purchasing managers and correspondents at Group companies.
    - In 2012, the Purchasing department has developed a **risk assessment matrix** that classifies suppliers based on social and environmental criteria and economic interdependence risks. The **decision-making process** allows to identify suppliers that might need to undergo a social and environmental audit and economic interdependence risks. The methodology used enables each Group company to identify its at-risk suppliers on the basis of several criteria including

the purchasing category, the supplier's degree of financial dependency, the strategic importance of the products, and the supplier's geographic location. For example, shortly after joining LVMH in 2014, Loro Piana completed its supplier risk assessment matrix using the methodology proposed by the Group.

- The Group also finalised its **Supplier Environmental Assessment tool**, which is shared by all the Maisons, in 2015. **Training courses** intended for buyers as well as for the environment officers have already begun and will continue in Europe the Americas and Asia in 2016. 2016-17
- Since 2014, Group companies have incorporated the LIFE program into their strategic plans, which include environmental and social targets in relation to suppliers. In 2016, the LVMH group set out its targets for 2020, aiming in particular to ensure observance of environmental best practices in the upstream supply chain. 2016-17

○ The Group makes available on its Finance Intranet all of the regularly updated procedures. **The “Major Risks” section of the Finance Intranet** contains a risk list and the procedures and tools for the evaluation, prevention and coverage of such risks. Best practices are also available on the site. These materials may be accessed by all personnel involved in the application of the Group's risk management. Risk managers, operational staff and internal control personnel also take part in a community dedicated to these concerns using the Group's enterprise collaboration portal.

○ At the initiative of the Chairman and Executive Management, a **working group**, bringing together the relevant departments of the holding company, was formed in **2016**. The aim of this working group is to **anticipate future legal and regulatory developments**, meet the requirements of the “**Sapin II**” Act in France and of the EU's General Data Protection Regulation (**GDPR**) and to establish ever **more stringent ethical and governance standards for the Group**. The working group's leaders will in future play a central role in the definition, rollout, adoption, supervision and control of systems designed to ensure that all Group activities are standards-compliant. 2016-17

• In line with European directives and the ordinance of December 2008, the Group introduced changes to its **Enterprise Risk and Internal Control Assessment (ERICA)** approach, a comprehensive process for improving and integrating systems for managing major risks and internal control related to our ordinary activities.

- The main brands and business groups acknowledge their responsibility in relation to this process and the implemented systems each year by signing two letters of representation.
- Since 2013, and depending on circumstances, Presidents of Group companies have been required to present to the Audit Committee the approach implemented to achieve progress within their area of responsibility as well as their achievements, action plans in progress and outlook.
- Finally, the Audit Committee decided in 2013 to implement the ERICA system within all Group entities by 2015 ; recently acquired entities are allowed two years to apply the approach, once the integration process is complete. As of June 30, 2015, this self-appraisal system covered **90% of the Group's operating entities** and **96% of revenue**. It includes all Group companies. The assessment data from controls and for major risks is input by each entity and centralized in a database application, RVR-GRC, also used by other CAC 40 companies. To reinforce the system's effectiveness, each Group company includes in its risk map an assessment of the following six risks: media risk, supplier risk, supply shortage risk, site accident risk, sensitive data loss or theft risk, and property damage or theft of merchandise risk. [📖 See : “2.4.1. The Enterprise Risk and Internal Control Assessment (ERICA) approach” in “2015 Reference Document” (p. 119) and in “2016 Reference Document” (p. 128)]

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- At the end of 2015, the Group embarked on a process to obtain an independent assessment of the business continuity plans of its ten most important companies.

**These assessments, carried out with the assistance of an outside firm, began in 2016 and will continue through to the end of 2017.** They focus on three essential factors with the potential to impair business continuity : key personnel, information systems, and critical infrastructure and partners across the entire supply chain. The Group exercises specific vigilance with regard to the legal environment and increasingly stringent compliance demands.

- With regard to Internal Control, numerous initiatives were taken in a variety of areas. For example:
  - the introduction or renewal of robust certification processes (ISO 14001, Responsible Jewellery Council, etc.);
  - the strengthening of payment security by Group companies and awareness-raising actions amid the resurgence and worldwide spread of the business e-mail compromise (BEC) scam whereby a schemer assumes the identity of a company's CEO, attorney, or trusted vendor to send an employee a fraudulent request for an urgent wire transfer;
  - the tightening of data security requirements imposed on the Group's service providers;
  - the **addition to the Group's reference framework of business specific fundamental controls** in the Fashion and Leather Goods, Watches and Jewelry, Perfumes and Cosmetics, and Wines and Spirits business groups; each of the companies concerned will choose to disseminate some or all of these new standards in 2017 alongside the rollout of the ERICA self-assessment process.

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## 2. Examples of supplier's risk analysis :

- **Critical Suppliers** : Different criteria are taken into account in order to identify a list of critical suppliers. Each Maison has to apply these criteria to their supplier panel in order to rank them by level of risk.
  - Criteria to go through supplier criteria : exclusive, monopoly, use of subcontractors.
  - Quantitative criteria : turnover with the supplier, part of LVMH turnover over supplier turnover...
  - Qualitative criteria : country origin, type of category, brand names on the product, certification...
- **Examples of major risks to address** :
  - Common : reputation/adverse media campaign, damage to image or reputation, industrial and environmental risks, foreign currency and interest rate risk...
    - The attractiveness of the Group's products depends, from a quantitative and qualitative standpoint, on being able to ensure adequate supplies of certain raw materials :
      - In order to guarantee sources of supply corresponding to its demands, the Group sets up preferred partnerships with the suppliers in question. This mainly involves the supply of grapes and *eaux-de-vie* in connection with the activities of the Wines and Spirits business group, of leathers, canvases and furs in connection with the activities of the Fashion and Leather Goods business group, as well as watchmaking components, gemstones and precious metals in connection with the activities of the Watches and Jewellery business group.
      - By way of illustration, an assessment of the risk that a vendor may fail has been carried out and good practices have been exchanged, leading notably to implementing the policy of for strategic Perfumes and Cosmetics products.
      - In addition, for some rarer materials, or those whose preparation requires very specific expertise, such as certain precious leathers or high-end watchmaking components, the Group pursues a vertical integration strategy on an ad hoc basis...
    - Reputation/adverse media campaign, damage to image or reputation, industrial and environmental risks resulting of suppliers, etc...

- Watches and Jewellery : parallel market, product launch failure / excess cost... Watches and Jewellery has implemented industrial coordination through the use of shared resources, such as prototype design capacities, and by sharing the best methods for preparing investment plans, improving productivity and negotiating purchasing terms with suppliers.
- Fashion and Leather Goods : counterfeited goods, failure of key suppliers...
- Wines and Spirits : product recall, counterfeited goods and parallel markets... In Wines and Spirits, production activities depend upon weather conditions before the grape harvest. Champagne growers and merchants have set up a mechanism in order to cope with variable harvests, which involves stockpiling wines in a qualitative reserve. [📖 For a description of this mechanism see “§ 1.1.4 Grape supply sources and subcontracting” in the *Business description* section of the “2016 Reference Document” (p. 11).]
- Perfumes and Cosmetics : failure of key suppliers, credit risk...

[📖 For more information on the different risk categories (contractual constraints, supply sources and strategic competencies...), see "2016 Reference Document" (pp. 35-41) :

- ✓ "2. Business risk factors and insurance policy"
- ✓ and particularly “2.1.8. Supply sources and strategic competencies”.]

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

- However, the Group conducts business internationally and as a result is subject to various types of risks and uncertainties. In order to protect itself against the risks associated with an inadvertent failure to comply with a change in regulations, the Group has established a regulatory monitoring system in each of the regions where it operates. The Group maintains very few operations in politically unstable regions. The legal and regulatory frameworks governing the countries where the Group operates are well established. Furthermore, it is important to note that the Group's activity is spread for the most part between three geographical and monetary regions: Asia, Western Europe and the United States. This geographic balance helps to offset the risk of exposure to any one area. Lastly, the Group takes an active part in discussions worldwide on negotiations regarding access to markets as well as agreements on easing access to the European Union for non-European tourists.
- In addition to the codes and charters already developed by the companies of the Group for their suppliers, LVMH felt it important to establish a standard policy extending its values to all suppliers and subcontractors.
- The Group's companies have been implementing tools and other resources to better identify problem suppliers and prevent any sort of risk. As an example, in Perfumes and Cosmetics, 95% of suppliers located in the geographic areas considered at-risk from a social accountability standpoint have been audited and produced encouraging results.

• **Breakdown of supply sources :** The "2016 Reference Document" indicates for each business group different examples :

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- Pages 11 and 13 : resources purchased from non-Group suppliers :
  - *“In 2016, the champagne houses used subcontractors for about 25 million euros of services, notably pressing, handling, and stocking bottles.”*
  - *“Like the Champagne and Wine businesses, Hennessy obtains its dry materials (bottles, corks and other packaging) from non-Group suppliers. The barrels and casks used to age the cognac are also obtained from non-Group suppliers. Hennessy makes only very limited use of subcontractors for its core business.”*
- See pages 16, 18 and 19 the % of subcontracting allowing to analyze the dependence on specific suppliers :
  - the use of subcontractors for Fashion and Leather Goods operations represented about 31 % of the cost of sales in 2016 ;



- manufacturing subcontracting represented for Perfumes and Cosmetics overall about 6 % of the cost of sales in 2016 ;
- for Watches and Jewelry, subcontracting represented 13 % of the cost of sales in 2016.

### 3. Tools and meetings in order to share best practices internally :

It is also important to raise awareness among internal staff who are directly or indirectly involved in relations with suppliers (buyers, production teams, etc.).

- Since 2011, at the instigation of the Group Audit and Internal Control department, the brands have worked to implement and maintain their business continuity plans (BCPs) ; regular sessions are organized to provide training and exchange good practices. A **Group conference was held at the end of 2014 on supply chain risk**.

In 2016, LVMH pursued **various initiatives**.

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- Increasing LVMH's employees' skills has been entrusted to an **Environment Academy** since 2016. The training courses provided to LVMH's employees via the Academy respond to the major challenges of the LIFE Program. A complete pathway has been designed in various educational formats, including face-to-face sessions, e-learning, virtual classes, etc. Business training courses are also available.
  - The **Group's buyers** are invited to attend a one-day session entitled "Building environmental performance with suppliers". They learn how to identify environmental risks relating to suppliers' practices and to improve the assessment of those risks using a matrix of 10 questions developed by LVMH.
  - Employees in the stores and the teams responsible for procurement may also follow the training course offered by the Environment Academy on CITES (Convention on International Trading in Endangered Species of Wild Fauna and Flora), in order to gain a better understanding of the way in which it concerns their day-to-day businesses.
- Among the Group's company, as an example, **Louis Vuitton** has introduced an assessment system to manage the environmental risks relating to its suppliers. The Maison has formally set down a highly detailed audit protocol and has opened a shared space dedicated to this subject on its internal server, which specifically features all the audit reports. Louis Vuitton continued to raise the awareness of all its teams in 2016 in order to make progress in rolling out audits. The year was also characterized by the creation of a **training program on the Environmental Assessment of Suppliers**, which is intended for all the Maison's employees in contact with suppliers, buyers, developers and quality experts, etc. The pilot session, which was organized in November and December 2016, included eight attendees.
- In 2016, LVMH launched the **LVMH Store Environment Awards** in order to recognize the efforts and drive the progress made in this area. The aim of the awards is to reward environmental best practices implemented by the Maisons and their stores, to encourage their dissemination. The first LVMH Store Environment Awards event recognized six Maisons.
- **Annual Supply Chain Meeting** : At the holding company level, a Suppliers Sustainability Meeting has been held each year since 2005, bringing together the purchasing, sustainable development, legal and internal control departments of the different Group companies. All of the Group's business activities in France and internationally are represented at the meeting. This annual meeting is a forum for Group companies to present their plans, projects, actions and progress regarding sustainable, responsible purchasing, and interact with one another on shared issues and best practices.
  - In 2010, this work resulted in the creation of a shared supplier database for the Perfumes and Cosmetics business group and the establishment of a common reference guide for supplier



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

- At the 2015 meeting, the decision was made to set up working groups specific to each business group to ensure that actions plans better reflect their specific issues and characteristics. The aim is to identify the most sensitive procurement categories for each activity and increase their level of maturity in terms of responsible purchasing.
- In 2009, an **Intranet website (“LVMH Mind”)** was launched to better communicate internally the Group’s commitment to responsible corporate citizenship. On this website, specifically devoted to social and environmental responsibility, employees can find, the Environmental Charter first adopted in 2001, the **Supplier’s Code of Conduct** introduced in March 2008 and the **LVMH Code of Conduct** (ethical and good governance principles) adopted in May 2009.
- To assist the different brands to evaluate **the performance of their products and their suppliers** and, if necessary, assist them in an improvement process, the LVMH environmental department provided them since 2006 with tools, enhanced with new textile standards. Adapted to each business, it provides a black and a grey list of chemicals substances used in apparels (more than 20 substances including REACH substances), information on the current legislation in the different countries and information **on asking suppliers the right questions**. Fashion and Leather Goods brands are of course included in the environmental reporting perimeter and use the corporate indicators like KPI to evaluate their performance.

## Blueprint For Corporate Sustainability Leadership

### Value Chain Implementation:

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

### 1. Codes of Conduct :

- **Supplier’s Code of conduct:** In March 2008, LVMH deployed a Supplier’s Code of conduct aimed at its suppliers and subcontractors. Since 2008, all of the Group’s brands have adopted and promulgated the Supplier’s Code of Conduct which sets forth the Group’s requirements in terms of social responsibility (forced labour, discrimination, harassment, child labour, compensation, hours of work, freedom of association and collective bargaining, health and safety, etc.), the environment (impact reduction, use of green technologies, waste reduction, compliance with regulations and standards), and the fight against corruption. This Code of Conduct also sets forth the principle and procedures for the control and audit of compliance with these guidelines. Any breach of conduct or any violation of this code of conduct by our suppliers or their subcontractors would result in a review and possible termination of the business relationship.
- **LVMH Code of Conduct:** The LVMH ethical and good governance principles are included in the LVMH Code of Conduct, which has been adopted at the Board meeting following the AGM on May 14th 2009 (inspired by the Group’s values as well as the principles of the Universal Declaration of Human Rights, the Global Compact and the OECD Guidelines for Multinational Enterprises) and distributed since May 2009 to all Group employees. This Code of Conduct serves as the common foundation and source of inspiration in this area for all of our brands or business lines. This Code indicates that *« LVMH is committed to maintaining equitable and loyal relationships with its partners (suppliers, distributors, subcontractors, etc.). LVMH will inform all of its commercial partners of its ethical principles and expectations. LVMH asks its suppliers to comply with the principles set out in the Suppliers’ Code of Conduct. This code specifies the demands in the areas of social issues (forced labour, child labour, harassment, discrimination, and pay, working time, freedom of unions, and health and safety), environmental and operational issues (legality, custom tariffs, safety, subcontracting and corruption).* »

- **"Environmental Charter"** (deployed in 2001): for example, in the field of consumer safety, the LVMH group is in compliance with the REACH Regulations and new legislation concerning consumer safety. All strict internal guidelines imposed by the Group as criteria for their development requires that its suppliers adhere to these same guidelines. With respect to this regulation, all LVMH entities have prepared and/or made the necessary changes to contractual and commercial documents and have sent questionnaires to their suppliers.

## 2. Risks management of supply sources :

- **Formal Policies or Programs on Responsible Procurement** : The LVMH Group has a specific strategy for sourcing and safeguarding raw materials. The choice of components and raw materials used in product manufacture is key to safeguarding the environment and precious resources. The attractiveness of the Group's products depends, from a quantitative and qualitative standpoint, on being able to ensure adequate supplies of certain raw materials. In addition, from a qualitative perspective, these products must meet the Group's exacting quality standards.

- **Watches and Jewelry :**

- The LVMH Group has been a member of the **Responsible Jewelry Council (RJC)** since it was founded in 2005. This not-for-profit organization has set itself the task of promoting ethical, social, and environmentally-responsible practices that respect human rights throughout the jewelry procurement chain. The RJC now includes over 160 global professional operators, who are adjusting their management systems and their practices in order to guarantee compliance with sustainable development issues and criteria. The RJC has specifically developed a certification system for its members who are involved in the gold and diamond sectors, which requires them to undergo audits by accredited independent auditors. All of the Maisons in LVMH's Watches & Jewelry business group obtained RJC certification between 2011 and 2012.
- Bvlgari extended the process by becoming the first company in the sector to be awarded **Chain of Custody – CoC-certification** for its gold jewelry production lines in June 2015. This process will gradually be extended to the other Maisons.
- **Diamond and Precious Metals** : In 2016, direct and indirect sourcing from sub-contractors have been fully mapped for these two categories. The Kimberley Process requirements are applied to diamonds. Kimberley certification requires the input of independent, accredited auditors. 2016-17
- **Colored stones** : LVMH has also taken part in the work performed by the **Dragonfly Initiative**, an organization that includes European and US operators in the luxury jewelry sector, and works on the development of best practices for the extraction of colored stones, since 2014. 2016-17

- **Fashion and Leather Goods (safeguarding raw materials)** : The choice of components and raw materials used in product manufacture is a main force behind protecting the environment and precious resources (exotic leathers, fur, wood, plants, etc).

- **CITES** : The LVMH Group applies the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) signed on March 3, 1973 at Washington. In 2012, LVMH adopted a Code of Conduct «Animal Sourcing Principles» on procurement of leather. When they use plants coming from an emerging countries, the Perfumes and cosmetics Brands act under the “access and benefit sharing” agreement on the Convention on Biological Diversity (CBD) opened for signature at the Earth Summit in Rio de Janeiro on 5 June 1992 and entered into force on 29 December 1993.

- **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 program to educate all staff involved in purchasing wood or wood products – such as for accessories, trunks, architecture, merchandising, writing implements, eyewear and customs interface – about the upcoming requirements of the EU Timber Regulation, which entered into force on March 3, 2013. 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.
- **Partnerships in the field of sourcing and developing procurement outlets** :
  - In November 2014, LVMH joined the eight public research bodies that are members of the Board of Directors of the **Biodiversity Research Foundation (FRB)**. The admission of LVMH to the FRB Board of Directors also reflects its involvement alongside the Foundation, which the company has been supporting for over six years. The partnership between LVMH and FRB has resulted in a significant amount of research. For instance, at the Group's request, the FRB conducted a study aimed at gaining a better understanding of the complexity of the issues relating to the application of the **Nagoya Protocol**. This Protocol, which was adopted in 2010, establishes the principle of access to and sharing benefits, and aims to govern the relationship between a supplier of genetic resources and a user during research and development activities. [📖 See "2016 Environmental Report" (p. 27).]
  - **Sustainable cotton and textile** :
 

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    - ✓ Given the very high quality of the cotton we use, to date we have not yet identified organic cotton producers giving a product of equivalent quality. Nevertheless, initiatives are under way to progress while preserving our quality requirements. In the case of cotton, some of the Group's Maisons use **BCI (Better Cotton Initiative) cotton**. The Group is set to accelerate this initiative and roll out this sector more extensively.
      - Some Maisons use **organic cotton**, like Céline, which uses it for the cotton lining of its leather goods.
      - For instance, Thomas Pink exceeded its **BCI-certified** sustainable cotton procurement goals. The Maison, where 80% of the collections are made from cotton, adhered to the Better Cotton Initiative in 2014. This initiative has developed best practices aimed at encouraging measurable improvements in the main effects of cotton growing on a world-wide scale. Thomas Pink hoped to use 50% of BCI cotton by 2019. Thanks to the work performed with its main suppliers, the Maison has already done much better, and over 60% of the cotton for its men's collection came from BCI cotton fields at the end of 2016.
      - Marc Jacobs has followed Thomas Pink's example by adhering to the Better Cotton Initiative in turn, and has committed itself to similar initiatives for other raw materials, including wool.
      - As the absolute standard setter in clothing excellence, Loro Piana has unparalleled know-how in terms of searching for the most precious fibers, including the **unique cashmere and baby cashmere from northern China and Mongolia, vicuna from Peru and Argentina, and extra-fine merino wool from Australia and New Zealand**. To retain the unique properties and superior qualities of the fibers, the Maison works in partnership with government authorities and livestock farmers in the countries of origin for its raw materials, and invests in research. For

instance, it has achieved an exceptional quality of cashmere by prioritizing a selective breeding model which contributes to the equilibrium between the local populations, the animals and the habitat. This interest in natural raw materials is the source of many pioneering initiatives. Accordingly, Loro Piana helped save vicunas from extinction in Peru by creating a nature reserve, where 2,000 of them are reared in accordance with traditional methods.

- Loro Piana launched a pilot project in China in 2009 aiming to protect the quality of its cashmere supplies and develop the entire sector on a sustainable basis. The project was implemented with the Chinese Agricultural University in Jilin and the Italian Camerino University in collaboration with ENEA (the Italian National Agency for New Technologies, Energy and Sustainable Economic Development). The Maison has developed the “Loro Piana method” : thanks to a scientific analytical approach, a selective breeding model that contributes to a balance between animals, the environment and the local population, while enabling an exceptional quality of cashmere to be achieved.

- By preferring small flocks in the same region, and a rationalized combing method, the shepherds guarantee high annual volumes and high-quality fibre, and therefore higher income for themselves.

- ✓ LVMH and its Maisons continued to strive to obtain sustainable cotton supplies in 2015. LVMH aims to gain a better understanding of cotton procurement outlets, as well as of cultivation methods, to then make the most sustainable choices. It is in keeping with this approach that Thomas Pink mapped its cotton procurement chain. Based on the data gathered, the Maison is now reviewing the solutions to implement in order to improve its cotton procurement. For instance, the Maison has adhered to the **Better Cotton Initiative** (BCI), which has established a standard aimed at promoting more sustainable cotton growing. Thomas Pink has set itself the goal of using 50% of BCI-certified cotton by 2019. Other Group Maisons will join the initiative during 2016.
- ✓ In 2015, LVMH adhered to the **Natural Capital Coalition**. This body is a multi-participant platform, where the aim is to develop methods for assessing the use of natural capital by professional businesses. LVMH tested the protocol under development in the cotton sector this year.
- ✓ LVMH has also adhered to the **Textile Exchange** (a US organization recognized for its work in the textile sectors) in order to contribute to the development and implementation of best practice standards in textile sectors. Textile Exchange is specifically working on developing organic cotton sectors and new “responsible” wool and down standards : the **Responsible Down Standard (RDS)** and the **Responsible Wool Standard (RWS)**. These standards, which are directly inspired by the question of animal well-being, are expected to enable all the operators involved to procure supplies.
- ✓ LVMH pays attention to animal well-being in the sheep’s wool sector, including muzzling practices. Where sheep’s wool is concerned, LVMH has decided to encourage two initiatives in the supply chain : the best practices determined by the **IWTO** as well as the **Responsible Wool Standard (RWS)**.

- **Leather and fur** : In the case of leather, LVMH has set itself the objective of using **70% of leather from LWG-certified tanneries by 2020**. Leather sourcing is a strategic priority and Group companies mainly use **European cowhide leather**. The low quantity from Brazil does not come from areas of recent deforestation.

  - ✓ LVMH is heavily involved in the **RESP (Responsible Ecosystems Sourcing Platform)**. This platform has brought together luxury goods operators in the cosmetics, fashion and jewelry sectors since 2012 in order to develop best practices for the procurement of raw materials and natural resources. RESP focuses its work on systemic problems that no company can solve alone, by relying on an extensive network of public and private participants. LVMH plays an active role in four of the platform's working groups, which respectively deal with the traceability and sustainability of exotic leathers, colored stones, wool and certain substances derived from plants. The work performed within the RESP framework has led to significant progress, especially on the issue of traceability of materials. The Group will continue on this path in 2017. It has specifically planned to fund pilot projects in Indonesia that primarily objective the same goal, i.e. finding a balance between economic development, social benefits, and protecting or showcasing biodiversity. 2016-17
  - ✓ As a member since 2011 of the **Leather Working Group**, where the work on the traceability of leathers and tannery audit standards is internationally recognized, LVMH joined the LWG sub-working group dedicated to animal well-being as soon as it was set up in mid-2016. 2016-17
  - ✓ In collaboration with **Centre Technique du Cuir**, Louis Vuitton has developed an environmental audit tool based on 30 questions covering the major risks relating to tanneries. While Louis Vuitton set itself the target of auditing 80% of Tier 1 and 2 tanneries in 2016, its aim for 2017 is to adapt the tool and roll it out to dyeing activities. 2016-17
  - ✓ LVMH is involved in the **BSR** working group on best practices for the production of fur, with the long-term goal of certifying farms on the basis of animal well-being and the environment. LVMH took part in drafting the new version (version 2) of the "Animal Sourcing Principles" with the BSR in 2016. Group companies systematically share the Business for Social Responsibility (BSR) network's Animal Sourcing Principles with their suppliers in order to ensure the well-being of animals. 2016-17
  - ✓ The Maisons primarily focus on limiting their generation of waste to the maximum extent possible : for instance, for the past year, Louis Vuitton has been using **salpa, a type of reconstituted leather**, to produce some of the models for its leather good products, which enables it to avoid using real leather. 2016-17
  - ✓ Fur is a key raw material for LVMH. The fashion houses – and especially Fendi, the historic market leader for fur – **comply with all the local and international regulations regarding the fur trade**. LVMH is aware that fur is a sensitive subject and is the focal point of numerous debates. The Group is committed to respecting everyone's choice. The Group's intention is to provide customers who want to wear fur with a product that has been made in the most responsible and ethical manner possible. **The Group's Maisons are committed to not using furs from threatened species**. Accordingly, LVMH works hand in hand with its European and North



American suppliers, and assigns absolute priority to certified pelts from farms that are regularly audited in accordance with recognized standards, and checked by independent third parties.

- ✓ **Exotic leathers, including crocodile leathers**, are the subject of particular attention. LVMH owns an exotic leather tannery and several crocodile farms. LVMH has determined a best practice matrix, working with recognized independent experts, which is used as a benchmark during the audits conducted at the farms.
- ✓ **Traceability of python skins** : Guaranteeing the origin of python skins via the use of DNA and other cellular tracers is the goal of the studies that LVMH has been conducting with Professor Mark Auliya, from the Center for Environmental Research-UFZ in Leipzig, since 2013. These studies, which are performed on South-East Asian pythons, specifically aim to make a distinction between farmed animals and animals removed from the natural environment for commercial purposes in order to prevent poaching. They may ultimately supplement the work performed as part of the RESP platform. In fact, LVMH has been involved in devising a method that makes tracing python skins easier with its partners in the platform since 2014; this method is based on visual recognition (as each skin is different in terms of the positioning and size of the scales). RESP began the test stages in 2016. 2016-17

▪ **In the case of Perfumes & Cosmetics :**


- ✓ A very large number of ingredients and raw materials are used. The Maisons have been provided with a system for assessing their suppliers. They audit them regularly and quantify their progress. Particular attention is paid to star ingredients resulting from **ethno-botany** initiatives and to strategic ingredients such as plant-based glycerin or beet alcohol.

The Perfumes & Cosmetics Maisons use palm oil derivatives and have set themselves the objective of using 50% of palm oil derivatives certified by the **RSPO (Roundtable on Sustainable Palm Oil)**. As an example, Bvlgari has adopted the measures aimed at ensuring that all the palm oil derivatives included in the composition of its products come from a sustainable supply by the end of 2017. 2016-17

- ✓ The Perfumes & Cosmetics Maisons carried out outlet audits on **roses, jasmine, orange blossom** and **bergamot** in 2013, 2014 and 2015.

- **Recycling of textile** : In order to recover a portion of its waste, LVMH uses the CEDRE (Environmental Center for Environmentally-Friendly Packaging Elimination and Recycling) platform, which is managed by a partner in Pithiviers. Thus, Louis Vuitton, Berluti, Christian Dior Couture and Kenzo Mode used the platform to recycle textiles.

○ **Fair Supply sectors :**

- LVMH contributes to the development of new responsible and fair supply sectors. In light of heavy pressure on **cashmere resources**, it supports the programme introduced by the **French Agronomes et Vétérinaires Sans Frontières (AVSF)** NGO in Southern Mongolia, where over-grazing has led to major desertification problems and is threatening the future of local livestock farmers. This programme is based on encouraging ancestral behaviours and heritage. It is reflected in the building of “elite herds”, the introduction of sustainable pasture grazing and the creation of livestock farmers’ cooperatives. [ See "Environmental report 2015" p. 38.]



- Founded by Ali Hewson and her husband, Bono, Edun is committed to promoting ethical, socially conscious fashion based on **fair trade**. Edun draws its inspiration from and manufactures its products on the African continent. Its collections of clothing, accessories and jewelry are not only a reflection of local craftsmanship but also the expression of a new Africa, steeped in dynamism, creativity and a spirit of enterprise. [📖 See "2015 Annual Report" (p. 145).] [Together with the Wildlife Conservation Society and Invisible Children, Edun set up the Conservation Cotton Initiative Uganda (CCIU) in 2008. Based in Gulu in the northwest of Uganda, an area which until recently was devastated by civil war, the CCIU programme currently supports 5,000 farmers and their families. The CCIU program is managed by TechnoServe and enables Edun to affect change at the start of the supply chain. Edun is proud to use CCIU cotton in the production of its fashion collection. Also, the Edun T-shirt line, *Edun Live*, primarily uses CCIU cotton. Through its operations, Edun looks to build long term, sustainable growth opportunities by supporting manufacturers, infrastructure and community building initiatives. Edun strives to provide an example of the viability of trade with sub-Saharan Africa, where 85% of the Spring 2014 collection will be produced.]

[📖 See "2016 Environmental Report" :

- ✓ “Securing access to strategic raw materials and protecting biodiversity from the outset” (pp. 36-42)
- ✓ “Increasing the responsibility of suppliers and subcontractors” (p. 44).]

### 3. Supplier’s commitment and preliminary assessments/questionnaires :

2016-17

Relations with any partner necessitate the latter’s commitment to comply with all ethical principles enunciated in the Supplier’s Code of Conduct. LVMH also requires that its suppliers adhere to the same guidelines imposed by regulatory requirements (for example in the field of consumer safety). Many initiatives by Group companies illustrate this commitment. Certain Group companies such as Sephora and Moët Hennessy have implemented their own supplier specifications in order to best meet their businesses’ specific requirements.

[📖 See “2016 Reference Document” (pp. 90-91)]

- The Group’s **Fashion and Leather Goods** companies have developed a number of initiatives relating to materials and supplies that are considered key. Four priority product categories have been identified as concerning all Group companies : leather, fabric, chemical products, finished and semi-finished products.
  - In 2016, **Fendi** assessed 130 suppliers, compared with 15 in 2015, thus significantly broadening the scope covered by these audits.
  - After auditing its three most strategic tanneries in 2016 in accordance with the Group’s objective to roll out LWG certification, **Loewe** will extend the audits to its “top five” tanneries as from 2017.
  - **Louis Vuitton** incorporated a supplier **environmental assessment protocol** into the processes of its Purchasing Departments. The Maison has formally set down a highly-detailed audit protocol and has opened a shared space dedicated to this subject on its internal server, which specifically features all the audit reports. It has designed in-house assessment tools and has had complementary external tools approved. This system is strengthened in every year. For instance, Louis Vuitton continued to raise the awareness of all its teams in 2016 in order to make progress in rolling out audits. This enabled it to add the audits performed on shoes or perfumes to the audits on leather goods suppliers, and then to determine audit programs with each “business unit” for 2017. The year was also characterized by the creation of a training program on the Environmental Assessment of Suppliers, which is intended for all the Maison’s employees in contact with suppliers, buyers, developers and quality experts, etc. The pilot session, which was organized in November and December 2016, included eight attendees.
- The **Wines and Spirits** business group has identified a number of priority areas to ensure sustainable development in its activities. This plan of action is centered on meeting environmental, social and societal targets in the areas of transportation, packaging and advertising materials. In France, **Hennessy** continued to assess the environmental performance of all its dry materials suppliers and of several external service providers. Hennessy has included a ban on comprehensive weeding and an obligation to scrupulously

comply with the regulations on the treatment of wastewater in the new agreement signed with its grape suppliers.

- The **Perfumes and Cosmetics** business group has defined measures to be taken and targets for three types of materials: Glass, Metal / Plastic and Cardboard. In 2016, social audits covered 100% of Tier 1 glass and cardboard suppliers, as well as 100% of metal / plastic suppliers in at-risk regions, while environmental audits were carried out among 100% of glass suppliers. The aim for 2017 is to extend the environmental audit policy, with the primary goal of covering all cardboard packaging suppliers.

- The Maisons in the Perfumes & Cosmetics business group had **60 environmental audits** on suppliers carried out on an overall basis. For instance, all the division's alcohol and glass suppliers were assessed. Parfums Christian Dior was therefore able to ensure the environmental performance of two strategic sectors. In fact, alcohol actually accounts for about 90% of the Maison's essences, while glass accounts for over 20% of its purchases of materials used in the manufacture of packaging.
- **Guerlain**, which had assessed 121 suppliers at the end of 2015, 30% of whom were assessed twice, was able to record a 20% improvement in results. To take this further, the Maison has set itself new objectives for the period between 2016 and 2018 in each category of purchases.
- In 2014 the Perfumes and Cosmetics business group also launched a **Responsible Purchasing Charter** that specifies its requirements with regard to the following topics: maintaining high-quality relations with our suppliers over the long term, mutually improving economic performance, choosing sustainable materials and responsible suppliers, innovating, and preserving materials and savoir-faire. This charter has been rolled out to all Group companies in the business group. Guerlain sent the "Responsible Purchasing" charter drawn up with the Group's Perfumes & Cosmetics division in 2014, to over 600 suppliers in 2015.

- All of the Group's **Watches and Jewelry** companies have been certified by the Responsible Jewellery Council (RJC).

- Bvlgari extended the process by becoming the first company in the sector to be awarded **Chain of Custody – CoC-certification** for its gold jewelry production lines in June 2015. This process will gradually be extended to the other Maisons.
- The Watches and Jewelry business group has identified three main categories of key raw materials : diamonds and precious metals and colored gemstones. **Bvlgari** scheduled 46 audits during the year, which covered all its business activities (jewelry, perfumes, watches and accessories) as well as its packaging.

- Within the **Selective Retailing** business group, Sephora has identified two major procurement categories: indirect procurement and procurement on behalf of its private label, S+.

- In 2016, Sephora identified suppliers deemed to be at risk in terms of social and environmental factors for both of these procurement categories. In Europe, social audits covered 100% of at-risk factories, while at the same time Sephora increased the number of environmental audits of at-risk suppliers, with the aim of auditing 80% in 2017 and 100% in 2020. By 2020, all high-risk suppliers worldwide will have undergone social and environmental audits via a methodology designed in-house for both of these procurement categories.
- In the field of the LVMH Lighting program, LVMH is gradually extending its initiative to other kinds of buildings and not only stores. An in-house working group was set up with about 12 Maisons in May 2016 in order to discuss lighting at production and storage sites.

## Blueprint For Corporate Sustainability Leadership

### Value Chain Implementation:

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

LVMH group companies take a two-pronged approach to assessing their suppliers, which consists of selecting key product categories within each business group and developing an ongoing social and environmental audit program.

- **Measures taken by business groups on priority issues** : Each Business Group have taken measures on **priority issues**. [📖 See "2016 Environmental Report" (pp. 90-91).]

2016-17

- **Social and environmental audits** :

The Supplier's Code of Conduct sets forth the principle and procedures for the control and audit of compliance with these guidelines. In the interest of continued improvement in this area, the Group's Houses have continued their supplier audit programs in 2015, together with follow-ups on action plans. In addition to the codes and charters already developed by the companies of the Group for their suppliers, LVMH felt it important to establish a **standard policy extending its values to all suppliers and subcontractors**.

In 2016, **1,205 social and/or environmental audits** were carried out, nearly 80% of which by specialized external service providers, at **942 of our suppliers**. Of these audits, **48%** related to both social and environmental criteria.

2016-17

Suppliers and audits break down as follows, by region :

	Europe	Asia	North America	Other <sup>(b)</sup>
Breakdown of suppliers (as %)	71	17	9	3
Breakdown of audits <sup>(a)</sup> (as %)	60	36	2	2

(a) Of which 58% initial audits and 42% follow-up audits.

(b) Including Africa.

Scope: Wines and Spirits, Perfumes and Cosmetics, Louis Vuitton, Loro Piana, Berluti, Fendi, Givenchy Couture, Loewe, Marc Jacobs, Céline, Thomas Pink, Rossimoda, Bvlgari, Fred, Hublot, TAG Heuer, Zenith, De Beers, DFS, Sephora and Le Bon Marché.

- 46% of audits carried out were in line with the Group's requirements, 32% found minor instances of non-compliance, 16% highlighted a need for significant improvement by suppliers and 6% found major instances of non-compliance. Non-compliance issues identified related primarily to Health & Safety. In all, **188 corrective action plans** were put in place following these audits.
- The use of preliminary audits also enabled better advance identification of supplier practices, resulting in decisions to refrain from working with certain potential suppliers.
- The number of follow-up audits increased in 2016, showing that Group companies regularly monitor their suppliers and support them in their efforts to improve.
- In some cases, LVMH and / or some Group companies had to terminate existing relationships with suppliers whose social audit findings revealed major instances of non-compliance with LVMH's Code of Conduct. There were **25 such cases in 2016**.
- In the interest of continued improvement in this area, in 2017 Group companies continued to audit suppliers and followed up on action plans as well as developing synergies arising from the Group's membership of **Sedex**. The Group also endeavored to strengthen its working parties by business sector in order to take better account of their specific characteristics and requirements.

[📖 See :

- ✓ "9.2. Supplier relations" in "2016 Reference Document" (pp. 89-91)
- ✓ "The LVMH Supply Chain" in "2016 Annual Report" (p. 41).]

- **RJC certification** : About Responsible jewelry and certification RJC see :



- ✓ RJC-certified Houses in "2016 Environmental Report" (pp. 24 and 36)
- ✓ "1.1. Evaluation and certification programs and organization" in "2016 Reference Document" (p. 98).]

- **Health and Safety** :

- Applied to suppliers since December 2010, the **Globally Harmonized System of Classification and Labelling of Chemicals (GHS)** designed to standardize the classification and labeling of chemicals and contributes to the safety of substances used in cosmetics products.
- **REACH Regulations** :
  - 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. Group's experts identify the most restrictive regulations and help the Maisons to gradually adopt them by involving their suppliers using tools such as the REACH Letter. This document was created following the adoption in 2006 of the European regulations that rationalised and improved the European Union's former regulatory framework on chemical substances. The Group's Maisons systematically send it to their new suppliers. By signing the document, these suppliers commit to complying with the requirements of the REACH regulations (or of similar regulations).
  - The LVMH Group also collaborates with our luxury brands on the internal standard LVMH RSL (Restricted Substances List) – which prohibits the use of hazardous substances in items brought to the market, as well as their use by suppliers – as part of a working group that deals with improving the management of chemicals in our supply chains. In order to boost the Maisons' control systems, the Environment Department has also designed the LVMH Smart Testing programme in partnership with independent international laboratories. This programme enables the Maisons in the Fashion & Leather and Watches & Jewelry Goods business groups to test the highest-risk substances depending on the materials at five partner laboratories. Lastly, to eliminate the use of certain substances and find alternatives, specific technical handbooks have been drawn up and circulated to suppliers.

**Traceability and compliance of materials and products** : As an example, the Louis Vuitton Maison continue to roll out its Innocuousness Plan, which was launched in 2014, in order to boost its policy for controlling regulated substances. This plan extends the list of undesirable substances in products by setting thresholds to zero, i.e. below the most restrictive regulatory thresholds. It also provides for a program of extensive tests on raw materials (555 tests were performed during 2016), and introduces the monitoring of the rate of suppliers' replies to the REACH Letter. Louis Vuitton included a paragraph regarding the security of products in 2016, which refers to the Innocuousness Plan and to the LVMH RSL (Restricted Substances List), in the technical specifications for new or altered materials used to manufacture its products. The Maison has also made progress in terms of eliminating chemical substances that are not compliant with the LVMH RSL, by specifically targeting hexavalent chromium in its leathers, lead in its metal accessories and alkylphenols in textiles.

2016-17

- **ISO 14001 certification** : Louis Vuitton was the first company in the world to have been awarded **ISO 14001 environmental certification for its Leather Goods & Accessories supply chain** in November 2013. This proactive approach guarantees the development of an increasingly efficient supply chain, which enables to have the right product in the right place at the right time, with an increasingly low environmental impact. Practically speaking, the green supply chain project has enabled to implement a certain number of virtuous initiatives, including developing a tool for measuring the CO<sub>2</sub> emissions generated by the transportation of the products in real time, reducing the kilometres travelled and the volumes carried, and optimising the transport packaging. Thus, Louis Vuitton have the means to demand the least polluting fleets and to drive the roll-out of environmentally-responsible transport methods..

## Blueprint For Corporate Sustainability Leadership

### Value Chain Implementation:

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

[📖] See :

- ✓ “9.2. Supplier relations” in “LVMH Reference Document 2016” (pp. 89-91)
- ✓ “The LVMH Supply Chain” in “2016 Annual Report” (p. 41)

### 1. Strategic disclosure:

Under the tutelage of Group Managing Director Antonio Belloni, the Operations, Environment, Social Development and Financial Communications departments are working together to educate and coordinate the Group’s companies and help them achieve program in their relations with suppliers.

- **Social:** Since 2011, Social Development Department of LVMH published a specific report giving a very clear picture of the way in which the Group’s sense of responsibility is put into practice and presenting all the social responsibility initiatives carried out over the year by its firms. The fields were selected to cover – in a way that is relevant, global and exhaustive – the various areas usually observed by credit rating agencies, investors and, more generally, all stakeholders involved in the problems of sustainable development and social responsibility.

LVMH discloses the “**Main Social Responsibility Issues**” and business groups particularly affected. [📖] See “2016 Social Responsibility Report” (pp. 11 and 14).]

2016-17

- **Environment** : In 2011, LVMH initiated a strategic thought process to identify key themes in order to better deal with the Group’s environmental concerns. This process was implemented by a Steering Committee comprised of representatives from seven pilot Group companies and overseen by LVMH’s main Executive Committee.

- Since 2014, Group companies have integrated a **new strategic program called “LIFE 2020”** (“LVMH Indicators for Environment”) into their strategic plans.
  - The LIFE program was implemented by the Steering Committee of each Group company and is based on nine key aspects of environmental performance whose two of them are linked to “Supply Chain Management” : “**strategic raw materials and supply channels**” and “**relations with suppliers**”.
  - In order to further improve consistency and efficiency, in 2016 the Group gave its companies – regardless of their sphere of activity – four shared targets to be achieved by 2020 (2013 being the benchmark year). [📖] See “2016 Reference Document” (page 97), “2016 Environmental report” (pp. 8, 12-14) and “2016 Annual Report” (pp. 35-37).]
- In November 2015, against a backdrop characterised by the voting of the law on the transition to a low-carbon economy for green growth in mid-August in France, followed by the preparations for the 21st United Nations Conference on Climate Change (COP21), LVMH took an additional step in rolling out the LIFE program via the launching of an **internal carbon price (Carbon Fund)**. Since 1

2016-17



January 2016, a Maison must invest € 15 in financing innovative projects every time that it emits one metric ton of greenhouse gas in order to reduce its emissions.

The bet was successful since, one year later, eligible projects amounting to EUR 6.7 million were selected, instead of the EUR 5 million initially planned. The Maisons were heavily involved and contacted the fund to finance 28 projects, 70% of which relate to the stores. [📖 See “2016 Environmental report” (pp. 46-47)]

2016-17

## 2. Support of suppliers :

LVMH maintains regular dialogue with its suppliers and is highly involved in their operations, which has led the Group to help them implement and comply with environmental, workforce related and societal best practices, while raising awareness and providing training on the CSR issues specific to their business. For a number of years, tools have been made available to suppliers to help them for example to better understand their regulatory obligations relating to REACH – the EU chemicals regulation – and to progress in this regard.

### • Training and guidance :

- Every year since 2014, a **Supplier Forum** has been organized to bring together representatives of the Group’s companies and their suppliers. This event provides an opportunity to present the responsible purchasing standards of LVMH and its companies, to hear feedback from suppliers who have made improvements in synergy with Group companies, and lastly to share best practice.

Following Italy in 2014 and China in 2015, the 2016 Supplier Forum was held in Hong Kong. The 2016 event did not relate to just one specific region, as had been the case for previous forums, but to specific purchasing categories shared by the majority of Group companies – including packaging, which represents a major environmental performance issue for the Group.

2016-17

- **LVMH Lighting Programme** : Issues relating to lighting have strategic importance for LVMH, in terms of optimizing its energy-efficiency and reducing its greenhouse gas emissions.

- As LED technology is still recent and relatively non-standardised, LVMH rolled out an e-commerce website (lvmhlighting.com) in 2014. The aim is to provide the Maisons and their installation staff with the most innovative, effective and cost-efficient solutions. The catalogue included **600 listed products offered by 25 suppliers** throughout the world at the end of 2015.

LVMH intends to go further in 2016 thanks to a miniaturized lighting module, which has been designed with specialized manufacturers, the “LVMH Light Engine”, which provides the same amount of light as a 40 watt bulb while consuming only 12 watts. This module will be made available to any lighting manufacturer working for the Group.

2016-17

- As a reminder, this work was launched in 2014 by the signing of a **collaboration agreement with around 20 lighting equipment suppliers, and the publication of a catalogue including 500 items**. The catalogue was presented at the Group Head Office in Avenue Montaigne on June 20, along with product samples, during the “LEDEXPO2014” event. To mark that event, a ‘speed-dating’ process was also organized between the Houses and the suppliers, while four conferences were offered on topics such as “light and architecture”, and “light and marketing”.

- The company is pursuing innovations **with its industrial partners**. For instance, it has designed a shelf-lighting solution and a miniature lighting module, the LVMH Light Engine, with three specialist manufacturers. This product, which did not exist on the market, provides the same amount of light as a 40-watt bulb while consuming only 12 watts. It was made available to all the lighting manufacturers working for LVMH in 2016. [📖 See “2016 Environmental report” (p. 48)]

2016-17



- Loro Piana’s very high standards encourage it to constantly improve the **quality of the natural raw materials** that it uses. Loro Piana provides training to livestock farmers on sustainable breeding techniques that respect the animals, which grow up in their natural environment while remaining under strict supervision. This is what drove the Maison to go against the market, against a backdrop characterised by increasingly intensive cashmere production.
  - Loro Piana launched a pilot project in China in 2009 aiming to protect the quality of its cashmere supplies and develop the entire sector on a sustainable basis. The project was implemented with the Chinese Agricultural University in Jilin and the Italian Camerino University in collaboration with ENEA (the Italian National Agency for New Technologies, Energy and Sustainable Economic Development). The Maison has developed the “**Loro Piana method**” : thanks to a scientific analytical approach, a selective breeding model that contributes to a balance between animals, the environment and the local population, while enabling an exceptional quality of cashmere to be achieved.
  - By preferring small flocks in the same region, and a rationalized combing method, the shepherds guarantee high annual volumes and high-quality fibre, and therefore higher income for themselves.
  - The experiment was extended in late 2015 via the creation of the “**Loro Piana Cashmere of the Year Award**”, which will reward the livestock farmers that achieve the highest quality criteria every year. The aim is to encourage farms in every production area to adopt the “Loro Piana method” and thus enable the entire cashmere industry to enter into a sustainable virtuous circle... all while protecting the environment.
  - In 2016, Loro Piana supported the filing of an amendment by the Peruvian Government aimed at ensuring that there is only one label for trademarking the origin of vicuna fibers, which will enable better traceability. 2016-17
  
- Hennessy provides an example of the kind of **support offered to local producers**. Most of the cognac *eaux-de-vie* that Hennessy needs for its production are purchased from a network of approximately **1,600 independent producers**, a collaboration which enables the company to ensure that exceptional quality is preserved as part of an ambitious sustainable winegrowing policy. More than 50% of Hennessy’s suppliers and subcontractors are local. This proactive approach by the company is reflected in the options it has adopted for the construction of a second packaging site, the expansion of storage capacity for *eaux-de-vie* and the construction of a new barrel and cooperage management center.
  - Hennessy has engaged in many actions to help develop and strengthen the local winemaking industry, which include financing a **research project into grapevine trunk diseases** and every two years organizing a technical forum to share with suppliers the technical and technological advances being tested by the company’s winemaking division. Hennessy is also a partner in a project launched by the Cognac inter-district authority and the Nouvelle-Aquitaine region to create a center of excellence in glass-working crafts on its current cooperage site.
  - Hennessy shared its paperless “Guide to Environmental Best Practices, Food Safety and Security” with over **150 service providers** in 2016. 2016-17
  
- LVMH intends to provide its stakeholders (whose suppliers) with the most comprehensive and transparent information possible about the initiatives implemented and the results achieved.
  - As an example, Guerlain organizes “**The Inspiration from Sustainable Development for the Department of Haut-Rhin**” Event. This very informal gathering regularly brings together at a shared event its Sustainable Development Managers, its committed partners and its customers, who are aware of its societal responsibility initiative. 2016-17

- The Group was a partner of COP21 in 2015, and organized a **conference on the subject of “climate and logistics”** in order to present its LIFE Program and highlight several remarkable initiatives implemented by its Maisons

- **Socially Responsible Procurement :**

[📖 See “2016 Social Responsibility report” (pp. 57-58).]

- LVMH favours the use of the **“Sheltered employment”**. This sector enables a person who is seriously disabled, whether permanently or temporarily, to work in an environment that is adapted to his or her circumstances.
  - Following the LVMH Disability and responsible purchasing seminar in 2012, companies such as Louis Vuitton, Bvlgari, Guerlain and Parfums Christian Dior reviewed their purchasing policy to develop their relationship with companies operating in this sector.
  - On 17 July 2014, at the launch of the new LVMH directory of supported employment suppliers, the *Mission Handicap* unit organised an event where Group companies went to meet some people working in such suppliers.
  - This event also enabled Group companies to share their best practices in the field. Guerlain, for example, has opted to outsource the cleaning of all its linen from its store at 68, avenue des Champs Elysées (Paris) to a supported employment provider.
  - At Group level in France, services outsourced to the supported employment sector were worth **EUR 6.6 million in 2016**, i.e. an increase by + **6.5%** compared to 2015 (EUR 6.2 million). This purchasing volume represents 312 full-time equivalent jobs. Parfums Christian Dior is one of the Group companies that is particularly involved in this area, and has strengthened its relationships with sheltered workshops. 2016-17
- On November 7, 2012 the Group organized its first **exhibition on Disabilities and Responsible Procurement** as part of its approach to responsible decision-making in procurement. Presented by Group Managing Director Antonio Belloni and Group Human Resources Director Chantal Gaemperle, this exhibition showcased various organizations specializing in disability employment as well as the sponsorships run by Hennessy, Moët & Chandon, Guerlain, Louis Vuitton, Make Up For Ever and Parfums Christian Dior. The event was attended by about 170 managers from all Group companies.
- On March 14, 2016, the **first Disability & Responsible Purchasing trade fair** was held at the Palais des Congrès in Paris. This innovative event – which was initiated by LVMH and organized by Groupe Les Echos in partnership with the Société Générale group and EY – aims to bring together businesses and stakeholders supporting working people with disabilities, and raise awareness of disability-related issues in the workplace. As the first trade fair dedicated to direct employment and responsible purchasing favoring people with disabilities, the Disability & Responsible Purchasing trade fair was a groundbreaking event putting potential buyers in contact with suppliers from sheltered and disability-friendly sectors. 2016-17
- **Local procurement :** 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.
  - On September 15, 2016, Michael Burke and Claude Martinez, the Chairmen and Chief Executive Officers of Louis Vuitton and Parfums Christian Dior, inaugurated **Les Fontaines Parfumées**, the new creative workshop for perfumes located in the center of Grasse. On the construction site, 95% of the craftsmen involved were local contractors. 2016-17
  - As an example, the **Belvedere Distillery** has designed a program dedicated to raw alcohol with suppliers and scientists in Poland. The aim is to secure and improve the quality of its procurement by guaranteeing the local origin of the alcohol and environmentally friendly farming practices. 2016-17

- The **Louis Vuitton 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.
  - **REACH regulations** : 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.
  - **Management of suppliers across the Carbon Footprint®** :
    - Since 2002 the Group has assessed the Carbon Footprint® of many of its Maisons: Louis Vuitton, Moët & Chandon, Veuve Clicquot, Hennessy, Parfums Christian Dior, Guerlain, Parfums Kenzo, Parfums Givenchy, Givenchy Couture, Make Up For Ever, DFS, Sephora and Le Bon Marché. To date, all of the Group's major Maisons have completed their reports and are working to implement **priority initiatives taken into account suppliers**.
    - **Inbound and outbound transport** : transport of raw materials and components from suppliers to our production and from our industrial sites to our stores.
- [📖 See :
- ✓ "Environmental Report 2016" (p. 49)
  - ✓ "2016 Reference Document" (p. 105).]
- **Promoting startups** : From June 30 to July 2, 2016, Paris hosted **Viva Technology**, a 2016-17 new event dedicated to digital transformation in Europe. As further proof of the Group's commitment to promoting innovation and encouraging digital entrepreneurship, the LVMH group was a partner to this first edition. The event, which was jointly produced by the Les Echos and Publicis groups, attracted 45,000 visitors and brought together key figures from the world of innovation for three days of conferences, discussions and meetings. Viva Technology has two goals: revealing startups at the cutting edge of innovation, and putting them in touch with major companies seeking the means of implementing their digital transformation and boosting their capacity for disruptive technology. As partner, the LVMH group hosted and ran the Luxury Lab, a 500-sq.m space entirely dedicated to the luxury goods sector. The lab formed a real hub for contact between entrepreneurs and representatives of the Group and its companies, hosting 44 startups that work on future challenges for the luxury goods industry in the Wines & Spirits, Fashion & Leather Goods, Perfumes & Cosmetics, and Watches & Jewelry sectors, as well as in Selective Retailing. To select the startups taking part in the Luxury Lab, the Group created a series of challenges on the collaborative CONNECT platform. The first on-line challenge asked candidates to address the question of personalizing the service offered to customers through a more detailed understanding of their desires and needs. The event was also an opportunity to highlight a selection of key innovations from Group companies, such as Sephora's Beauty Board, the Krug ID and TAG Heuer's Connected Watch.
- [📖 See "2016 Social Responsibility Report" (p. 65).]

## Robust Human Rights Management Policies & Procedures

### Criterion 3 : The COP describes robust *commitments, strategies or policies* in the area of human rights :

**Commitment to comply with all applicable laws and respect internationally recognized human rights, wherever the company operates (e.g., the Universal Declaration of Human Rights, Guiding Principles on Human Rights) (BRE1 + ARE1)**

#### • Commitments :

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

► See in this COP 2017 "1. Commitment and involvement at the highest level" (pp. 6-7).

[📖 See also :

- "2016 Reference Document" (pp. 81, 81-84, 88 and 94)

- "2016 Social Responsibility Report" (p. 13).]

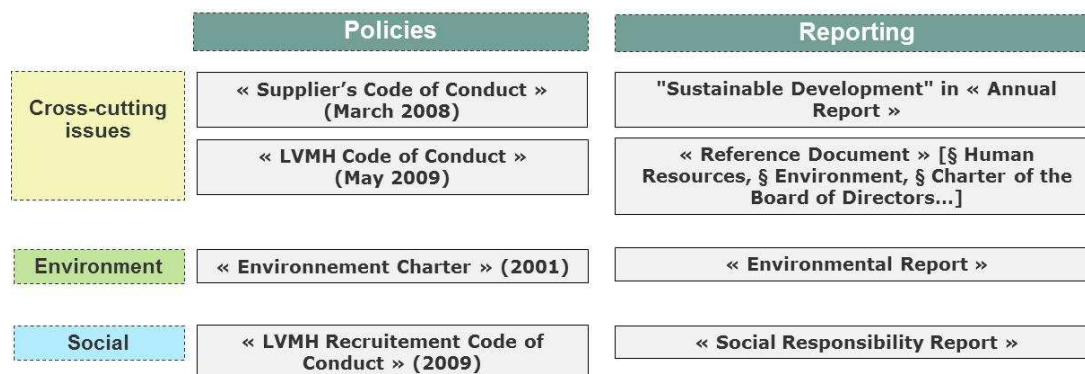
- **Compliance with international conventions** : This strong commitment is written in the "2015 Reference Document" [📖 See "10. Compliance with international conventions" in "2016 Reference Document" (p. 94)] : « *Taking each individual, his or her freedom and dignity, personal growth and health into consideration in each decision is the foundation of a doctrine of responsibility to which all Group companies adhere. Accordingly, all Group companies have policies for equal opportunity and treatment irrespective of gender, race, religion and political opinion, etc. as defined in the standards of the International Labour Organization. This culture and these practices also generate respect for freedom of association, respect for the individual, and the prohibition of child and forced labour.* »
- Group companies provide an overview of their corporate social responsibility initiatives in a **yearly CSR (Corporate Social Responsibility) reporting survey**, which supplements the Group's reporting on employee-related issues. This survey, which is carried out across all Group companies, covers the most common social responsibility issues : **human rights, diversity and the prevention of discrimination**, skills development, working conditions, **listening to and dialoguing with employees**, and **local community engagement**. For each of these topics, the survey form includes references to the conventions and recommendations of the **International Labor Organization**.
- **Last commitments in the field of diversity** :
  - After the chief executives of Group companies in Europe signed the UN's Women's Empowerment Principles (WEP) in November 2013, **all the Group companies in the USA signed on 7 October 2014**. By the end of 2014, a total of 41 Group companies were therefore committed to adhering to the seven principles in the WEP. Demonstrating the Group's culture of male-female equality, the principles concern education, training and professional development of women as well as a commitment towards gender equality at the highest level within a company.
  - The **sixth annual Women's Empowerment Principles (WEPs) conference** was held at the United Nations HQ in New York on 5 March 2014. Gena Smith, Senior Vice-President of Human Resources at LVMH, was on stage to present the measures the Group has taken to apply the principles enshrined in the WEPs. The outcome of a joint effort by UN Women, the



United Nations Entity for Gender Equality formed in 2010, and the United Nations' Global Compact, the WEPs comprise seven principles on female empowerment in their jobs, in the job market, and in society more broadly.

- 2016-17
 In keeping with the commitments made by LVMH – particularly with respect to the Millennium Development Goals – the Group supports the **Sustainable Development Goals (SDGs)** drawn up and developed by the United Nations in 2015. The 17 SDGs are a global call for action by 2030 to reduce inequality, make the world a better place for future generations and ensure that all human beings are able to live in peace and prosperity. The LVMH group's corporate social responsibility strategy is a driving force behind meeting the 17 SDGs. [📖 See "2016 Social Responsibility report" (p. 76).]
  
- 2016-17
 On the occasion of **International Women's Day on March 8, 2016**, the LVMH group organized a series of in-house events around the world and reaffirmed its commitment to female leadership. In Paris, Cognac, New York, Shanghai, Hong Kong, London and Madrid, a total of more than 1,000 female employees took part in celebrations centered around the theme of "Daring". The Paris event and local spin-offs featured testimonies from a number of speakers from within and outside the Group, as well as discussion and networking opportunities. Representatives from newspaper Les Echos took part in the Women's Forum held at Centre International de Deauville from November 30 to December 2, 2016. Featuring debates, dialogue, brainstorming and action, this vital event turns the floor over to women to speak out on the major current and future issues facing society. One of the talks, "How to share responsibilities in Europe", was hosted by Virginie Robert, foreign desk editor at Les Echos.

• **Internal Codes and Processes :**



- The **LVMH Code of Conduct**, adopted in May 2009, covers all brands and all employees of the Group. This Code and its principles must be respected by each employee, each brand and each business group of LVMH. The LVMH Code of Conduct serves as a basis for the drawing-up of codes of conduct at brand and business group levels, adapted to their context and their sector. Thus the principles of this Code can, when appropriate, be developed or specified in relation to local regulations and legislation, and, when they exist, locally applied charters or codes. The LVMH Code of Conduct reminds "International agreements supported by LVMH" (see p. 21) particularly on "social stakes" :
  - Universal Declaration of Human Rights.
  - United Nations Global Compact.
  - OECD Guidelines.
  - International Labour Organization conventions.
  - Millennium Development Objectives.
  - Women's Empowerment Principles.
  - Sustainable Development Goals (SDGs)

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

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

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

- The **LVMH Supplier's Code of conduct** deployed in March 2008 has been implemented at all Brands and subsidiaries by the end of 2008. All of the Group's brands have adopted and promulgated the Supplier Code of Conduct which sets forth the Group's requirements in terms of labour principles (forced labour, discrimination, harassment, child labour, compensation, hours of work, freedom of association and collective bargaining, health and safety, etc...).
- Since 2009, the "**LVMH Recruitment Code of Conduct**" has been widely disseminated to all employees active in recruitment processes across the Group. It sets forth the ethical principles to be observed in recruitment at LVMH and guarantees that fair hiring practices are followed at all of the Group's operations worldwide. This Code of Conduct is embodied in fourteen commitments, which aim in particular to prevent any form of discrimination and to promote diversity.
  - Across the Group, ethical principles to be applied in recruitment and the LVMH Code of Conduct for Recruitment are reinforced by the training program "**Recruitment without Discrimination**". Since 2011, this training program is mandatory for all Human Resources managers involved in recruiting. Group companies are therefore able to keep a close eye at all times on the fulfillment of their commitments. A training module specifically for Italy is currently being developed.
  - Since 2008, LVMH has organized ongoing checks of its practices in hiring diversity, by having an **independent and highly-regarded firm test for discrimination** in the job offers published on the Group's careers websites. By means of this scrupulous self-assessment procedure using the services of an independent, external provider on an ongoing basis, the Group strictly monitors its recruitment practices.

The global campaign launched in fall 2014 that ended in spring 2016 was the first-ever international test of its kind conducted by a company. Tests were carried out in five countries: China, the United States, France, Italy and Switzerland. The findings of this campaign were shared with Group companies' human resources departments. Campaigns to test for discrimination help monitor compliance with our commitments while managing the system for preventing discrimination in recruitment.
- **The cross cutting issue of job maintenance** : In regards to the links between continued employment and preventing discrimination, various policies and best practices have been applied by Group companies. Examples include preparing and supporting employees returning from parental leave, adapting the workstations and working time for older employees, or providing staff with disabilities with a suitable working environment, as offered by Moët Hennessy Entreprise Adaptée (MHEA).

2016-17



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

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

▶ See in this COP 2017 “1. Commitment and involvement at the highest level” (pp. 6-7).

[📖 See also :

- “2016 Reference Document” (pp. 81, 81-84, 88 and 94)

- “2016 Social Responsibility Report” (p. 13).]

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

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

• The ethical and good governance principles are included in the "LVMH Code of Conduct", which **has been distributed since May 2009 to all Group employees**. This Code of Conduct serves as the common foundation and source of inspiration in this area for all of our brands or business lines. In particular, in the Houses, the Group recommends and oversees the implementation of codes of conduct, supplier charters, formalized procedures for declaring and monitoring conflicts of interest, and the implementation of delegation matrices that outline the responsibilities and powers of each employee.

• The "Supplier’s Code of Conduct" is shared **with suppliers and other stakeholders**. Applied by all the Brands of the Group, compliance with the Supplier’s Code of conduct is a requested condition for collaboration.

#### **Criterion 4 : The COP describes effective *management systems* to integrate the human rights principles:**

☑ **Process to ensure that internationally recognized human rights are respected**

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

▶ See in this COP 2017 “Criterion 2 : The COP describes value chain implementation” (pp. 10-29).

• **Specific due diligence :**

▶ See in this COP 2017 “2. Risks management of supply sources” (pp. 16-21).

• **Indigenous people :** 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”.

- 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)** adopted in 2010 in Nagoya. LVMH’s commitment is for 2012-2020. The first corporate initiatives taken relate to notably 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. [📖 See "Environmental Report 2016" (p. 26).]

- The French National Biodiversity Strategy is structured around six major goals divided into 20 targets, **three of which have been selected by LVMH**, namely “Making biodiversity a positive issue for decision-makers” (target 3); “Guaranteeing the sustainable use of biological resources” (target 12); and “Sharing the benefits of using biodiversity in a fair manner at every level” (target 13).
- In the respect of “**Children’s Rights and Business Principles**” LVMH gives the opportunity **to young people to develop a professional experience**. 2016-17

- As a signatory of the **Apprenticeship Charter**, the Group devotes considerable efforts to the development of apprenticeship opportunities, which facilitate young people’s access to qualifications. As of December 31, 2016, there were more than **1 179 young people** working under apprenticeship or professionalization contracts in all of the Group’s French companies.
- In 2014, the LVMH group created the **Institut des Métiers d’Excellence (IME)**, a work-linked training program. The year 2016 saw the second IME class graduate, and the results testify to the program’s success: of the 64 apprentices who took the exam in 2016, all were successful – for the second year running; 82% were employed, taken on under an apprenticeship contract or are continuing their studies, and 26 apprentices received a professional distinction. In 2016, 120 apprenticeship contracts were awarded in Group companies. Around 200 apprentices have received training through IME and its partner schools since 2014, with a graduate placement rate of 90% at the end of 2016.
- **Supporting people excluded from employment** : To promote equal-opportunity access to world-class education, for the past five years LVMH has supported the priority education program run by the Institut d’Études Politiques (Institute for political studies, or Sciences Po Paris), by offering grants and enabling high school students from underprivileged neighborhoods to attend the school and be mentored by Group managers. On December 13, 2016, Sciences Po celebrated the program’s 15th anniversary, along with the renewal of its partnership with the LVMH group for a further five years. Chantal Gaemperle, the LVMH group’s Director of Human Resources and Synergies, sponsored the 2016 intake of students. In France, the Group has forged a lasting partnership with the charity *Nos Quartiers ont des Talents*, and also serves on its board of directors. The organization offers young graduates from underprivileged backgrounds the chance to be mentored by a Group executive or manager. A number of Group companies participate in this program. In 2016, 100 experienced managers participated as mentors and, as of the end of 2016, 71 young people are still being mentored. Since 2007, 468 young people have found jobs after being mentored by a Group employee.

[📖 See “2016 Social Responsibility Report” (pp. 31-32 and 67-68)]

- As a reminder, in March 2013, LVMH responded in great detail to the international questionnaire from **UNICEF / Global Compact / Save The Children** on the topic of child labor (“Children’s Rights and Business Principle”). On October 9, 2013, **Vigeo** released the final report about the French CAC 40 companies explicitly mentioning LVMH among 7 companies appearing as the most advanced in terms of concrete initiatives and communication about Business and the Right of Childrens.

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

**Blueprint For Corporate Sustainability Leadership**

**Issue-Based and Sector Initiatives:**

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

Employees are sensitized during **training about labour law and human rights**. Besides, the topics of moral and sexual harassment are specifically tackled during these prevention trainings. The Group makes every effort to prevent and deal with phenomena such as harassment and stress in the workplace.

**1. Global frame about diversity and non-discrimination :**

**• Commitments :**

- ▶ See in this COP 2017 “1. Commitment and involvement at the highest level” (pp. 6-7).
- ▶ See in this COP 2017 (“Last commitments in the field of diversity” (pp. 30-31).

[📖 See also :

- “2016 Reference Document” (pp. 81 and 81-84)
- “2016 Social Responsibility Report” (p. 13).]

**• Processes and tools :**

- ▶ See in this COP 2017 (pp. 31-32) “Internal Codes and Processes”.

[📖 See also :

- “2016 Reference Document” (p. 81)
- “2016 Social Responsibility Report” (pp. 50-51).]

**2. Equality of opportunity for men and women :**

**• Results :**

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- Gender diversity is an integral part of LVMH’s corporate culture. Women account for **74% of the Group’s workforce**. This strong feminine presence is an essential characteristic of the Group. It is related in part to the very nature of LVMH’s businesses.
- The Group has had more and more women on its **executive committees** every year, **from 26% in 2010 to 38% in 2016**. Six Group companies are chaired by women : Acqua di Parma, Fred, Fresh, Krug, Loewe and Starboard Cruise Services. In 2017, LVMH will be continuing its efforts to achieve its target of 50% female representation on management committees by 2020.

Proportion of female in 2016	
TOTAL	74 %
Board of Directors	40 %
Executive committees	38 %
Management grades	64 %
Technical staff/Team leaders	68 %
Administrative/Sales staff	82 %
Production staff	56 %

- **Drivers :**

- LVMH particularly tracks the career development of its talented women through its **annual organizational review**, using a set of targets and key indicators. The Group provides annual coaching for its most promising talented women to help them transition to executive roles.

In 2016, **36 female employees benefited from this comprehensive program**,

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bringing the number of high-potential women who have taken part in the initiative since it was launched in 2013 to 150. Group companies also independently pursue their own initiatives in this area, in line with their needs and the specific characteristics of the cultures in which they operate.

- Launched in 2007, the purpose of the **EllesVMH initiative** is to develop female talent and help them to realise their potential within LVMH Group. The program comprises a wide variety of initiatives, such as creating a dedicated coaching program for high-potential women, signing up to the United Nations Women's Empowerment Principles in 2013, and setting up local networks. Blending coaching and action to provide proactive, practical support for female leaders, EllesVMH has become an international brand that channels the energy of a wide range of initiatives. EllesVMH helps forge links between multiple generations of women at different Group companies and from all walks of life, thus fostering both their development and synergies within the Group.

Around **40 women** have taken part in the **EllesVMH Coaching program** every year since it was launched in 2013.

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- Building on this success, the Group capitalized on the enthusiasm stirred up by the initiative to organize "**EllesVMH Connect**", a completely new worldwide digital event, in November 2016. The initial launch event, held on September 23 and backed by a global digital campaign, featured workshops where women and men worked together on the issue of equality. Nearly 300 discussion groups in 22 countries got to share their ideas on how become more aware of and correct gender-related behaviors that can hold back women's careers, and could post these ideas on the "EllesVMH Connect" platform. To date, just over 2,000 employees have attended a workshop at around 43 Group companies. The next step will be to analyze all the contributions made by EllesVMH Connect participants and use them to improve EllesVMH's long-term strategy, a key goal of which is to have women make up 50% of Group companies' management committees by 2020.

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- As an example of many initiatives, **Veuve Clicquot actively promotes women in business**, awarding *Le Prix de la Femme d'Affaires* (businesswoman of the year) and the *Prix Clémentine* in tribute to Madame Clicquot, the first woman to impose herself as a major figure in the world of business. The awards celebrate these worthy heirs to the "Grande Dame de Champagne": women pioneers who can tackle any challenge through their entrepreneurial flair, audacity, creativity and talent. In the image of Veuve Clicquot itself, the *Prix de la Femme d'Affaires* has a true international dimension and has been awarded to more than 300 women in 27 countries since it was created in 1972. The *Prix Clémentine*, introduced in 1974, recognizes the new generation of female entrepreneurs whom the company believes represent the future generation of businesswomen. The award is named after Madame Clicquot's daughter, Clémentine.

[📖 See :

- ✓ "5.1. Gender equality" in "2016 Reference Document" (pp. 82-83).
- ✓ "Promoting gender equality in the workplace" in "2016 Social Responsibility Report" (pp. 52-54).]

### 3. Actions in favour of employees aged 50 and up :

- **Issues :**

- The importance of preserving expertise in the Group's various business lines makes skills transfer the heart of the Group's policy on older employees. The holders of craft skills and invaluable

expertise acquired throughout their working lives, older employees are called on to add further value by mentoring other employees.

- Ensuring older employees can access and stay in work is an on-going concern for the Group. Led by the Group's Corporate HR division, the companies endeavour to implement a global approach to the management and development of older employees. The companies have adapted this policy to their unique characteristics, which were previously identified through an assessment.
- The commitments made by the companies also concern the recruitment and training of older employees. The Human Resources teams pay specific attention to this age group to ensure that it is fairly and sustainably represented in both processes.

- **Results :**

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- In 2016, worldwide, **13.5 % of the LVMH group's active workforce are aged 50 and up**. In France, this population accounts for 24.2 % of employees.
- In **France, 26 Group companies** have made commitments in relation to the management of older employees' careers, via either agreements or action plans to foster their recruitment, employment and career development. All Group companies in France, regardless of size, have renewed the *contrat de génération* (cross-generation contract) plan to promote the sustainable employment of young people, encourage the hiring of older employees, and facilitate knowledge transfer across generations. For example, Chaumet has adopted a new *contrat de génération* for the 2016-2019 period. Newspaper Les Echos also adopted a new *contrat de génération* in December 2016. Meanwhile, a number of Group companies, such as LVMH Fragrance Brands, have entered into negotiations with employee representatives to finalize their agreements on the 2017-2019 *contrat de génération*.
- Companies also pay special attention to hiring and retaining older employees. Improvement efforts have also focused on workstation ergonomics, the reduction of physical strain, and working conditions more generally for employees aged 50 and over, especially for the positions most exposed to physical or mental stress in workshops and at production facilities.

[📖 See best practices in the "2016 Social Responsibility Report" (pp. 58-59) and "2016 Reference Document" ("5.2. Actions in favor of older employees", p. 83).]

- Human Resources managers at all of the brands have received **training in the conduct of a mid-career interview**, following a program established by the Group's Human Resources Department. These interviews are used at Group companies (Moët & Chandon, Hennessy, Berluti, Parfums Christian Dior, Le Bon Marché, among others) to improve career management for older employees and offer systematic career plan assessments to those aged of 50 and up.

#### **4. Employment of disabled persons :**

[📖 See :

- ✓ "5.3. Employment of people with disabilities" in "2016 Reference Document" (p. 84).
- ✓ "Fostering the employment of people with disabilities" in "2016 Social Responsibility Report" (pp. 55-58).]

- **Organization and methodology :**

- The Group's commitment to this subject is embodied in *Mission Handicap LVMH*. Created in 2007, it steers Group policy in this area and is made up of a network of **35 disability coordinators in the Group companies**. To send a far-reaching message of inclusion and compatibility between the luxury industry and workers with disabilities, LVMH celebrated the **International Day of Persons with Disabilities** on **December 3, 2015**. Eight best practices were selected from a worldwide challenge put to Group companies in the spring of 2015.



- In the area of recruitment, LVMH has developed a **methodology (“Handi-Talents”)** based on professional-life scenarios for disabled applicants. These innovative recruitment sessions pay no heed to the applicants’ résumés but instead seek to make the recruitment process objective and identify skills and competencies which are transferable into the professional sphere. In terms of hiring new employees, LVMH uses mandatory antidiscrimination training to raise awareness at its companies of the importance of recruiting people from all walks of life, including those with disabilities and without.
- As regards training, in 2014 LVMH launched **“EXCELLhanCE”**, which benefits from support from AGEFIPH in the form of a partnership agreement. “EXCELLhanCE” enables people with disabilities to simultaneously obtain a degree, significant experience at the LVMH group’s companies and expertise specific to the luxury industry. It is based on intensive work-linked training programs, lasting 12 to 24 months, in three professional fields: sales, logistics and human resource management. Candidates are selected using the *Handi-Talents* process, based on work-related simulation exercises. These innovative recruitment sessions make the hiring process more objective and serve to identify abilities and skills that can be transferred to the professional sphere. The first intake of sales advisors and inventory managers was in 2014, resulting in 64% of participants obtaining a vocational qualification in logistics or a BTS technical qualification in Management of Commercial Units in 2016. In total, 74% of participants then continued to work for the Group on a fixed-term or permanent contract or continued with their studies. The second intake was in fall 2016. Spanning 10 Group companies, it has allowed 13 people with disabilities to enter employment under work-and-training contracts, most of them retraining in a new profession, still in the roles of sales advisor, inventory manager and human resources assistant.

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- **“Sheltered” employment** : LVMH also encourages use of the supported employment sector in France, the figures from which can be used in calculating the overall proportion of employees with disabilities. The supported employment sector enables a person with a serious disability, whether permanent or temporary, to work in an appropriately adapted environment.

- At Group level in France, services outsourced to the supported employment sector were worth **EUR 6.6 million in 2016** corresponding to 312 jobs, i.e. an increase by + **6.5% in 2016** compared to 2015.
- On November 7, 2012 the Group organized its first exhibition on Disabilities and Responsible Procurement as part of its approach to responsible decision-making in procurement. This exhibition showcased various organizations specializing in disability employment as well as the sponsorships run by Hennessy, Moët & Chandon, Guerlain, Louis Vuitton, Make Up For Ever and Parfums Christian Dior. The event was attended by about 170 managers from all Group companies.

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On March 14, 2016, the first **Disability & Responsible Purchasing trade fair** was held at the Palais des Congrès in Paris. This innovative event – which was initiated by LVMH and organized by Groupe Les Echos in partnership with the Société Générale group and EY – aims to bring together businesses and stakeholders supporting working people with disabilities, and raise awareness of disability-related issues in the workplace. As the first trade fair dedicated to direct employment and responsible purchasing favoring people with disabilities, the Disability & Responsible Purchasing trade fair was a groundbreaking event putting potential buyers in contact with suppliers from sheltered and disability-friendly sectors. In order to encourage the sharing of best practices and advice, a program of over 25 workshops and plenary conferences was provided covering three themes: awareness, responsible purchasing and direct employment. This first event was a great success, with more than 1,500 visitors coming to meet some 70 exhibitors. Toni Belloni, LVMH’s Group Managing Director, and Chantal Gaemperle, the Group’s Director of Human Resources and Synergies, took part in the event alongside Marie-Anne Montchamp, former French Secretary of State with responsibility for people with disabilities; Séverin Cabannes, Deputy CEO of the Société Générale group ; and Jean-Pierre Letartre, Managing Partner of EY France.

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- In March 2011, Moët & Chandon founded **MHEA**, a company that offers facilities adapted to employees with disabilities. A fully autonomous entity, MHEA maintains a disabled employment rate of 100% and provides the best possible working conditions for employees affected by disabilities, without any change in the terms of their compensation.

In early **June 2016**, Moët Hennessy Entreprise Adaptée (MHEA) celebrated its fifth anniversary. This entity helps avoid breaks in employment contracts for

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incapacity by supporting employees facing difficulties in their jobs. The company has also enabled the recruitment of several jobseekers with disabilities, working in cooperation with local structures such as the CAP Emploi and Pôle Emploi public agencies. Five years after its official launch by Christophe Navarre, President of Moët Hennessy, Chantal Gaemperle, Human Resources & Synergy Director at LVMH, and Marie-Anne Montchamp, Secretary of State at the Ministry of Solidarity and Social Cohesion, Moët Hennessy Entreprise Adaptée has established a particularly strong track record.

- **Partnerships and supports** helped raise the Group's employment rate in France for disabled persons to **4.5% as of December 31, 2016**, based on official standards for the definition of disabilities. Internationally, as the situation is dependent on local legislation, the proportion of staff with disabilities stands at **1 %**.

- In collaboration with other companies, the Group founded **ARPEJEH**, a non-profit organization that brings together some sixty French companies to offer advice and guidance to junior and senior high school students with disabilities. Employees are involved in this initiative and more than 60 young people were able to take part in it in 2016.

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- In 2011-12, LVMH obtained the assistance and support of **AGEFIPH**, the French agency responsible for facilitating the employment and retention of workers with disabilities. On 1 July 2014, LVMH extended its partnership agreement with AGEFIPH and the leading organisation in the field. Group companies' commitment in this area was also demonstrated through the signing of agreements with AGEFIPH at Veuve Clicquot and Parfums Christian Dior. Hennessy has had such an agreement in place since 2011; it was renewed for three years in 2013.

- Group companies have adopted a range of measures to encourage the employment of people with disabilities. For example, Le Bon Marché publishes its job offers on the Hanploi.com website, an innovative, effective site that is the foremost tool of its kind for helping organizations recruit disabled people and communicate about their human resources needs.

In 2016, LVMH Fragrance Brands repeated its "One day, One job" action day at its industrial sites, allowing people with disabilities to learn about the range

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of positions in the company with a view to future recruitment under temporary, fixed-term or permanent contracts. During **European Disability Employment Week from November 14 to 20, 2016**, Veuve Clicquot and Krug joined forces with Cap Emploi, France's national network of employers and organizations specializing in the placement of people with disabilities, to present a range of production posts (operators, drivers) and include jobseekers in the 2017 recruitment round using the job simulation recruitment method.

- **Results :**

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The Group's redoubled efforts have enabled it to increase the proportion of its employees with disabilities in France to **4.9 %** according to official standards (sum of direct and indirect proportions) at the end of 2016. Internationally, as the situation is dependent on local legislation, the proportion of staff with disabilities stands at **1 %**.

Number and % of Disabled persons :		2010	2011	2012	2013	2014	2015	2016
France	<i>total headcount</i>	507	543	572	623	620	705	<b>819</b>
	<i>global employment rate</i>	3.57 %	3.72 %	4.1 %	4.1 %	4.1 %	4.5 %	<b>4,9 %</b>
Group	<i>total headcount</i>	775	824	928	979	1034	1 130	<b>1 241</b>
	<i>global employment rate</i>	0.93 %	0.84 %	0.87%	0.85 %	0.85 %	1 %	<b>1 %</b>

The share of disabled employees in the total workforce in France has largely increase over the period 2009-2016 from 3,20% to 4,9 % (i.e. by + 53.1%) (French AGEFIPH standards).

## 5. Raising awareness on Psychosocial Risks :

► See in this COP 2017 "Health & Safety" in "Criterion 7" (pp. 52-53).

The prevention of psychosocial risks is a matter that captures the attention of all Group companies, which particularly look out for stressful situations that could affect their employees. The Group makes every effort to prevent and deal with phenomena such as harassment and stress in the workplace and tackle psychosocial risks. [📖 See "Preventing occupational stress" in "2016 Social Responsibility Report" (pp. 41-42).]

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

- Any employee who notices a non-conformity to one of the principles stipulated within the LVMH Code of Conduct **should inform his or her hierarchy**. « *Responsibility for implementation: The Board of Directors of LVMH, to which the Executive Management of the Group submits each year a report on the implementation of the Code's principles, will be the body which ensures its correct application. In accordance with the principle of subsidiarity inherent to LVMH, the executive management team of each operational and legal entity is responsible for compliance with the principles of this Code. Any employee who notices a non-conformity to one of the principles stipulated within the Code should inform his or her hierarchy.* » [📖 See "LVMH Code of Conduct" (p. 19)].

- Although French regulations do not authorize **whistleblowing procedures** as of 2016, some Group companies operating outside France, such as De Beers Diamond Jewellers and Bvlgari, have been able to establish such **procedures in certain countries**. Sephora America set up a whistleblowing procedure in 2016. In France, at Sephora, a system for submitting concerns via an intranet forum has been set up for employees. Employees at Moët & Chandon and Ruinart also have access to a procedure designed for handling complaints. HR morning meetings provide details and responses to issues that have generated complaints. In 2016, the themes addressed included career management, the role of women in the company and compensation policy. A range of tools is in place to communicate with employees: an intranet site, a company newsletter with a particular focus on the different business activities, evaluation of the quality of employee-employer relations during individual annual reviews, and the creation of a database on economic and social data in cooperation with LVMH. In 2016, TAG Heuer organized four meetings and a survey of all employees. An internal communication system provides news on the brand. A "confidential hotline" was scheduled to come into service in January 2017 as one of the outcomes of the employer's agreement. The hotline is available to any employee experiencing personal or professional difficulties who wishes to seek confidential support.

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As a reminder, different subsidiaries have also developed initiatives and tools contributing to **grievance resolution** :

- Grievance Policy, Grievance Policy Exit Interviews, Grievance procedures: Glenmorangie Company Ltd, Thomas Pink USA, Louis Vuitton Hong Kong...
- HR business partner position dedicated: Parfums Givenchy...
- Non Harassment Policy: Moët Hennessy USA...
- HR Survey: Christian Dior Inc...
- HR Support Best Practice: Louis Vuitton UAE...
- Suggestion and complaints box: Sephora Romania.

• At the initiative of the Chairman and Executive Management, a working group, bringing together the relevant departments of the holding company, was formed in **2016-17** 2016. **The aim of this working group is to anticipate future legal and regulatory developments and to establish ever more stringent ethical and governance standards for the Group.** Its first task was to submit to the Executive Committee **a proposal to revise the Code of Conduct** that would define unacceptable behavior and corresponding sanctions and, if necessary, put **in place whistle-blowing alert procedures**. The working group's leaders will in future play a central role in the definition, rollout, adoption, supervision and control of systems designed to ensure that all Group activities are standards-compliant.

**☑ Allocation of responsibilities and accountability for addressing human rights impacts:**

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

- The Board of Directors of LVMH, to which the Executive Management of the Group submits each year a report on the implementation of the LVMH Code's principles, is the body which ensures its correct application.
- In accordance with the principle of subsidiarity inherent to LVMH, the executive management team of each operational and legal entity is responsible for compliance with the principles of this Code.

• At its meeting of April 14, 2016, the Board of Directors decided to establish an **Ethical and Sustainable Development Committee**, whose main duties are to : **2016-17**

- ensure compliance with the rules and values defined by the Code of Conduct as well as the other codes and charters resulting from this code;
- help define the rules of conduct or principles for action on which the Group's executives and employees must base their behavior in line with ethical standards as well as the Group's approach to corporate social responsibility;
- review the ethical, environmental, workforce-related and social responsibility issues faced by the Group;
- review the environmental, workforce-related and social information contained in the Management Report of the Board of Directors and submit its opinion on this information to the Board;
- monitor the functioning of whistle-blowing systems put in place within the Group.

It consists of three members appointed by the Board of Directors: Yves-Thibault de Silguy (Chairman), Delphine Arnault and Marie-Laure Sauty de Chalon. Two of its members are Independent Directors.

The Committee met once during the year, with two of its members in attendance. Noteworthy items of business included the Director of Legal Affairs presenting the proposed **revision of the Group's Code of Conduct**. **2016-17**

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

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

- As a reminder, in March 2013, LVMH responded in great detail to the international **questionnaire from UNICEF / Global Compact / Save The Children** on the topic of child labour (“Children's Rights and Business Principle”). On October 9, 2013, Vigeo released the final report about the French CAC 40 companies explicitly mentioning LVMH among 7 companies appearing as the most advanced in terms of concrete initiatives and communication about Business and the Right of Childrens.

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

▶ See in this COP 2017 the Criteria 16, 17 and 18.

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

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

▶ See in this COP 2017 “Criterion 2 : The COP describes value chain implementation” (pp. 10-29), particularly :

- “☑ Communicate policies and expectations to suppliers and other relevant business partners” ;
- “☑ Implement monitoring and assurance mechanisms (e.g. audits/screenings)” for compliance within the company’s sphere of influence.

[📖 See :

- ✓ “9.2. Supplier relations” in "2016 Reference Document" (pp. 89-91)
- ✓ “The LVMH Supply Chain” in "2016 Annual Report" (p. 41).]

**☑ Monitoring drawn from internal and external feedback, including affected stakeholders :**

• **Verification of compliance** with the Code of Conduct is incorporated into the internal control mechanism existing within LVMH and follows the procedures in force in the Group. [📖 See "LVMH Code of Conduct" (p. 19).]

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

**☑ Leadership review of monitoring and improvement results :**

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

The “2016 Reference Document” summarized the different elements of this issue : organization of the system, elements of the overall compliance framework and system stakeholders.



• « *The Board of Directors of LVMH, to which the Executive Management of the Group submits each year a report on the implementation of the Code's principles, will be the body which ensures its correct application. In accordance with the principle of subsidiarity inherent to LVMH, the executive management team of each operational and legal entity is responsible for compliance with the principles of this Code. Any employee who notices a non-conformity to one of the principles stipulated within the Code should inform his or her hierarchy.* » [📖 See "LVMH Code of Conduct" (p. 19)].

• The following participants fulfil specific roles with respect to internal control : Board of Directors, Executive Committee, Performance Audit Committee, Legal Department, Risk Management and Insurance Department, Audit and Internal Control Department, Management Committees at subsidiary level.

[📖 See "2.2. Organization and stakeholders of the risk management and internal control systems" in "2016 Reference Document" (pp. 123-126).

See also :

- ✓ "Group governing bodies" and different lines of defense in "2016 Reference Document" (pp. 124-125).
- ✓ "2.4. Formalization and management of the risk management and internal control systems" in "2016 Reference Document" (pp. 128-129).]

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

No incidents to report.

- ▶ See in this COP 2017 the answer to "Criterion 2 : The COP describes value chain implementation" (pp. 10-29), particularly :
- "☑ Communicate policies and expectations to suppliers and other relevant business partners" ;
  - "☑ Implement monitoring and assurance mechanisms (e.g. audits/screenings)" for compliance within the company's sphere of influence.

[📖 See :

- ✓ "9.2. Supplier relations" in "2016 Reference Document" (pp. 89-91)
- ✓ "The LVMH Supply Chain" in "2016 Annual Report" (p. 41).]

## *Robust Labour Management Policies & Procedures*

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

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

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

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

LVMH is very careful to promote the respect of ILO’s fundamental principles. The system ensuring fair business practices is based on different commitments and policies.

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

- This strong commitment is written in the “2016 Reference Document” [📖 See “**10. Compliance with international conventions**” (p. 94)] : « *Taking each individual, his or her freedom and dignity, personal growth and health into consideration in each decision is the foundation of a doctrine of responsibility to which all Group companies adhere. Accordingly, all Group companies have policies for equal opportunity and treatment irrespective of gender, race, religion and political opinion, etc. as defined in the standards of the International Labor Organization. This culture and these practices also generate respect for freedom of association, respect for the individual, and the prohibition of child and forced labour.* »

- “**The Group’s ethical values**” are a major part of elements of the overall compliance framework [📖 See “2016 Reference Document” (p. 123)]

- In May 2009, LVMH put in place a **Code of Conduct** aimed at following and promoting the principles of the Global Compact on fundamental rights and principles in the workplace, including freedom of association and recognition of the right to collective bargaining. Similarly, the “Supplier Code of Conduct”, rolled out from March 2008, recognizes the principle of freedom of association: “We expect our suppliers to recognize and abide by each employee’s right to engage in collective bargaining and to form or participate in a trade union of his or her choice without penalty, discrimination or harassment.” The “**LVMH Code of Conduct**” reminds "International agreements supported by LVMH" (p. 21) and particularly on "social stakes" :
  - Universal Declaration of Human Rights.
  - United Nations Global Compact.
  - OECD Guidelines.
  - International Labour Organization conventions.

- Millennium Development Objectives.
  - Women's Empowerment Principles.
  - Sustainable Development Goals (SDGs)
- The **LVMH Supplier's Code of conduct** deployed in March 2008 has been implemented at all Brands and subsidiaries by the end of 2008. All of the Group's brands have adopted and promulgated the Supplier Code of Conduct which sets forth the Group's requirements in terms of labour principles (forced labour, discrimination, harassment, child labour, compensation, hours of work, freedom of association and collective bargaining, health and safety, etc...).
  - LVMH aims to serve as a model corporate citizen in terms of its human resources practices, especially with regard to the recruitment of future staff members. LVMH's recruitment practices must reflect the Group's values and the highest standards of responsibility and respect for all, on a daily basis everywhere in the world. To this end, since 2009, the "**LVMH Code of Conduct for Recruitment**" has been widely disseminated to all employees active in recruitment processes across the Group. It sets forth the ethical principles to be observed in recruitment at LVMH and guarantees that fair hiring practices are followed at all of the Group's operations worldwide. This Code of Conduct is embodied in fourteen commitments, which aim in particular to prevent any form of discrimination and to promote diversity. Across the Group, ethical principles to be applied in recruitment and the LVMH Code of Conduct for Recruitment are reinforced by the training program "Recruitment without Discrimination".

• At the initiative of the Chairman and Executive Management, a working group, bringing together the relevant departments of the holding company, was formed in 2016 2016-17  
**The aim of this working group is to anticipate future legal and regulatory developments and to establish ever more stringent ethical and governance standards for the Group.** Its first task was to submit to the Executive Committee a **proposal to revise the Code of Conduct** that would define unacceptable behavior and corresponding sanctions and, if necessary, put **in place whistle-blowing alert procedures**. The working group's leaders will in future play a central role in the definition, rollout, adoption, supervision and control of systems designed to ensure that all Group activities are standards-compliant.

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

▶ See in this COP 2017 " Risk and impact assessments in the area of labour" (pp. 46-50).

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

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

▶ See in this COP 2017 "Criterion 4 : The COP describes effective *management systems* to integrate the human rights principles" (pp. 33-42).

[📖] See :

- ✓ "9.2. Supplier relations" in "2016 Reference Document" (pp. 89-91)
- ✓ "The LVMH Supply Chain" in "2016 Annual Report" (p. 41).]

## Criterion 7 : The COP describes effective *management systems* to integrate the labour principles:

**Social Responsibility Initiatives:** Since 2011, Social Development Department of LVMH published a specific report giving a very clear picture of the way in which the Group's sense of responsibility is put into practice and presenting all the social responsibility initiatives carried out over the year by its firms. The fields were selected to cover – in a way that is relevant, global and exhaustive – the various areas usually observed by credit rating agencies, investors and, more generally, all stakeholders involved in the problems of sustainable development and social responsibility. In particular, this report enables us to meet Global Compact requirements. It also aims to identify more clearly best practices in firms and to facilitate their dissemination and reproducibility in-house [📖 See "2016 Social Responsibility Report"]

### ☑ Risk and impact assessments in the area of labour :

- **Work related risks :** The management system of strategic and operational risks take into account the work-related risks. In the context of its production and storage activities, the Group is exposed to the occurrence of losses such as fires, water damage or natural catastrophes.
  - LVMH pay particular attention to the risks associated with the storage and shipment of raw materials with particularly 2 sites : Hennessy manufacture in Cognac and Parfums Christian Dior manufacture in Saint-Jean de Braye.
  - As an example, in March 2011, after the earthquake and tsunami in Japan, a crisis committee has been established in order to protect and support over 5,000 employees and implement a business continuity plan.

Integrity, constant vigilance to maintain a healthy environment, and respect at all levels are the pillars of social responsibility at LVMH. This key message was reinforced at the **Group's second international conference on social responsibility held in 2011**. Bringing together more than 200 executives and managers, this event highlighted the considerable progress made since the first edition of this conference in 2007. In the intervening period, initiatives have been undertaken in a number of areas, including efforts to promote non-discrimination, equal opportunities for men and women, well-being at work, access to employment for the disadvantaged, the employment of disabled persons, children's education, and the fight against social exclusion.

▶ See also in this COP 2017 in Criterion 4 “☑ Internal awareness-raising and training on human rights for management and employees” (pp. 35-40).

- Since 2004, the Group has used a **risk mapping tool** which systematically identifies its industrial, environmental and operational risks on the basis of common standards. Ranking these risks clearly indicates the cases that must be treated as a priority. This information and warning tool ensures early action to reduce the probability that the dangers identified will occur. Finally, as a complement to these processes, and in order to institute a single approach for all brands, the Group has pursued a project launched in 2010 that seeks to create a formal framework for major risk management and internal control called ERICA/“Enterprise Risk and Internal Control Assessment”. In 2010, a **common supplier database** has been put in place by the Perfumes and Cosmetics business group and a **common evaluation criteria implemented for suppliers**. These criteria facilitated exchange among the Group companies and follow-up for social and environmental audits, their results, and any action plans established.

[📖 See in “2016 Reference Document” :

- ✓ "2. Business risk factors and insurance policy" (pp. 35-41).
- ✓ "Skills and talent management" (p. 123).
- ✓ "2. Implementation of risk management and internal control procedures" (pp. 122-129).]

- **Main social impacts in the field of CSR :**

2016-17

- The “2016 Social Responsibility Report” published not only a mapping of “**main social responsibility issues**” (p. 11) concerning the main sources of responsibility but also the cartography of “**processes and support tools**” (p. 14) allowing to understand the main drivers of performance and reputation. In particular, this report enables us to meet Global Compact requirements. It also aims to identify more clearly best practices in firms and to facilitate their dissemination and reproducibility in-house.
- As a reminder, LVMH also faces the following international challenges :
  - Human Capital Management : training & development, compensation policies, expectations from our employees (e.g. stress management, new services at work, compensation policy...).
  - Working conditions : prevention of psychosocial risks, health & safety ...
  - Non-discrimination and human rights : diversity & equal opportunity, responsible management of supply chain...
  - Internal strategic development : employment dynamics, retention of know-how and shortage of skilled Human Capital, age pyramid and aging workforce...
  - Local social impact : financing local programs, ratio of local employment, regional development, and initiatives developing the employability of people...
  - External context : changing demographics and development in the emerging markets, “low cost” production approach, attention to the Corporate Governance (e.g. transparency, dialogue,...),...
- Internal information sharing on ESG risks operates through **various processes and tools** :
  - balance sheet presentation of the sustainable development policy to the Board of Directors;
  - monitoring of the action plan under the "CSR Steering Committee" ;
  - specific control by the Audit and Internal Control Department ;
  - review project by the "Environment Committee" and the network of "CSR Representatives";
  - specialized collaborative working groups :
    - "Annual Supply Chain meeting" ;
    - “**International Human Resources Convention**” ;
    - meetings of Human Resources and operational leaders in order to discuss the mapping of the Group ;
    - intranet community “**EllesVMH**” is now one of the biggest internal communities, with 500 members worldwide ;
    - specific meetings and working groups on environmental and social issues with impact in the area of labour : disability, REACH regulation, etc..
  - sharing information via :
    - **Finance Intranet** : Since the launch of the Group’s new approach to risk, all executive-level personnel responsible for risk management procedures across the Group have had access via the Finance Intranet to procedures and tools designed for the assessment, prevention and coverage of risks, together with the information provided by the Risk Management and Insurance Department.
    - **Discussion forums** are organized by the **Internal Control department for the main risk categories selected by most of the participants**. These forums bring together risk managers, operational staff and internal control managers and have thus helped facilitate the sharing of best practices across the Group.
    - "LVMH Mind" extranet dedicated to the policy of social and environmental responsibilities. In 2009, an Intranet website (“**LVMH Mind**”) was launched to better communicate internally the Group’s commitment to responsible corporate citizenship. On this website, specifically devoted to social and environmental responsibility, employees can find, the Environmental Charter first adopted in 2001, the Supplier’s Code of Conduct introduced in



March 2008 and the LVMH Code of Conduct (ethical and good governance principles) adopted in May 2009.

- "Voices" collaborative intranet Group. Launched in March 2012, the new Voices intranet links all the employees of the Group, its subsidiaries and Maisons worldwide. Voices offers employees an efficient working environment by providing a range of practical resources: news about LVMH and the Maisons, useful information about the Group including its HR policy, streamlined work tools and collaborative sites.
- A dedicated Intranet site "**LVMH Talents**" also exists, which is for the use of Group Human Resources. Skills management is a significant aspect of internal control. LVMH pays special attention to matching employees' profiles with corresponding responsibilities, formalizing annual performance reviews at individual and organizational level, ensuring the development of skills through training programs custom-designed for each level of seniority and encouraging internal mobility. Personnel reports are produced monthly by the Group's Human Resources Department, presenting changes in staff and related analyses as well as vacancies and internal movements.

• **Discrimination tests** : Since 2008 LVMH has organized ongoing checks of its hiring practices by having an independent firm test its published job offers for discrimination. During testing for discriminatory practices, one of the criteria potentially tested for is disability. The global campaign launched in fall 2014 **that ended in spring 2016** was the first-ever international test of its kind conducted by a company. Tests were carried out in five countries: China, the United States, France, Italy and Switzerland. The findings of this campaign were shared with Group companies' human resources departments. Campaigns to test for discrimination help monitor compliance with our commitments while managing the system for preventing discrimination in recruitment.

2016-17

• **Skills and talent management** is a significant aspect of internal control. LVMH pays special attention to matching employees' profiles with corresponding responsibilities, formalizing annual performance reviews at individual and organizational level, ensuring the development of skills through training programs custom-designed for each level of seniority and encouraging internal mobility. In a Group that is essentially decentralized, the human resources function's remit includes promoting the sharing of knowledge and cross-functionality in general. [📖 See "2016 Reference Document" (p. 123).]

[📖 See also :

- ✓ "2016 Reference Document" (p. 78)
- ✓ "2016 Social Responsibility Report" (pp. 14 and 27).]
- The annual review of organisations and talent, the **OMR (Organisational Management Review)**, coordinated by the Human Resources department in close conjunction with operational managers, is a Group-wide exercise involving all Group companies and subsidiaries with the aim of unearthing in-house talent and securing the succession of key positions. OMR is fueled by the business-related issues pinpointed in each Group company's **strategic plan**, and highlights their implications in terms of Human Resources. This review provides forward-looking insights into the most critical positions and succession plans. This overall review is supplemented by **reviews of functions** considered as having Group-wide importance, chief among them Finance, Human Resources, Supply Chain, Retail and Digital. The OMR includes meetings on mobility between Group companies and regions, from which several succession options may emerge.
- The annual review is an opportunity to prepare a range of **training courses** appropriate to current market conditions and employee needs, and to build **career mobility paths**. Managers evidently play a central role in this culture of organizational and career development. Skill in this area is now a criterion that is always used during managers' annual appraisals, performance reviews and career reviews.

2016-17

- **Knowledge transfer** : To further anticipate their requirements and smooth the knowledge transfer process, LVMH and some Group companies have created their **own training structures** to meet ever more specific challenges. In 2016, Loro Piana strengthened its *Académie de l'Art des Métiers*, established in the last quarter of 2015. In February 2016, Fendi inaugurated Massoli Academy in partnership with Sartoria Massoli, a couture workshop with which it has worked closely since 1982.
  - [📖 See “2016 Social Responsibility Report” (pp. 31-34) :
    - LVMH : Institut des Métiers d'Excellence (IME)
    - Group companies : School of leather goods established by Louis Vuitton, *Académie du Savoir-Faire* (Berluti), Moët Hennessy Asia Pacific sales school, Loewe's leather crafts training center, ...]
- In the **environmental matters**, LVMH took action to meet another challenge in the LIFE Program in 2016, namely preserving and passing on critical skills. A large number of the traditional processes and gestures used by its Maisons or their partners first appeared centuries ago. Some of these skills, such as tanning, ethno-botany or sustainable viticulture, have a direct link with natural resources. All of them are key to the Group's success. Accordingly, LVMH takes care to ensure their long-term future, while continually innovating in order to constantly improve the quality of its products and their environmental profile.
  - For instance, it is by combining ultramodern tanning processes with the centuries-old know-how of tanners in the Cordero Entrefino Region in Spain that Loewe obtains incomparably supple and soft leathers.
  - Likewise, Cha Ling is determined to protect the oldest tea in the world, namely Pu'er tea. The Maison gets its supplies from the thousand-yearold forests in Yunnan, China's green lung. The plots are farmed using no fertilizers or pesticides, and harvested in accordance with traditional techniques. Cha Ling designs beauty care products that are created from this exceptional raw material in LVMH's advanced research laboratories, in accordance with a stringent environmentally-friendly charter. The Cha Ling products are then manufactured at La Ruche, the site opened by Guerlain in Chartres, which combines performance, quality and sustainability.
  - LVMH's efforts to protect its critical skills have an impact beyond the Group : for instance, they contributed to UNESCO's decision to include the vineyards, Maisons and cellars in the Champagne region – where a large number of the Group's employees work – in the World Heritage List in 2015.
    - [📖 See “Environmental Report 2016” (p. 56)]
  - **Internal awareness** : Many Houses organized internal and external events involving the public, partners or suppliers as part of different Sustainable Development events such as the : “European Sustainable Development Week” (in May/June), “European Mobility Week” (in September) and “European Week for Waste Reduction” (in November). Major events provide LVMH and its Houses with a privileged framework for demonstrating their commitment to the environment. This is particularly the case with **European Sustainable Development Week**, which is organized once a year in order to raise the public's awareness of sustainable development issues and to encourage everyone to adopt responsible behaviors. The 2016 event was held between May 30 and June 5 on the theme of **SDGs**.
    - ✓ For instance, all the Louis Vuitton Maison's facilities and workshops have adopted the habit of conveying and celebrating this Week via exhibitions, games and the award of prizes, such as the event organized in the **Drôme Workshop in 2016**.
    - ✓ Make Up For Ever partnered the European Sustainable Development Week once again in 2016 and launched a new venture, the “**Green Dragons**” Venture, organized by millennials who have decided to make a commitment. Seven of them took part in the first “**Green Hackathon**” organized by the Maison on November 23 and 24, 2016.

2016-17

The principle is simple: employees were invited to suggest ideas for protecting the environment at the office, as well as while traveling and at home. The Make Up For Ever Executive Committee then selected the most inspiring ideas, and gave the “Green Dragons” four days to turn these avenues into tangible initiatives.

• **Internal Mobility & Promotion** : The Group has made internal mobility, whether geographical or functional, a key aspect of its human resources policy. The LVMH ecosystem provides an environment that is particularly conducive to career development, and its diversity of business lines and professional roles, the number of brands operated, together with the Group’s geographical spread enable employees to build individualised career paths and to gain new skills, expertise and experience.

- The human resources function makes every effort to support career development for the Group’s talent through consistent practice and global initiatives. Human resources coordination is reaching new frontiers with Latin America and Oceania, supplementing existing **mobility committees** in the strongholds of Europe, the United States, Asia and Japan.
- With more than **2,500 internal transfers of management personnel**, this year was no exception. This process was given greater impetus by **MOVE**, the internal jobs portal accessible via the Group’s Intranet. 2016-17
- Thanks to the engagement and close collaboration of our HR managers at Group companies around the world, especially through regular talent reviews, **74% of senior management vacancies** have been filled through internal promotions. Specific working groups now exist for retail, digital, finance and supply chain jobs, in addition to the **53 internal transfer review boards** for different seniority levels and regions. 2016-17
- The standard yearly organizational and talent review was performed with special attention to indicators of cultural and gender diversity. This approach revealed a talent pool of **1,000 key individuals from 43 different countries**, with women accounting for **57% of the “high-potential” group**. 2016-17

[📖 See :

- ✓ “2016 Reference Document” (pp. 77-78).
- ✓ “2016 Social Responsibility Report” (pp. 26-27).]

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

• Over the past few years, the LVMH group has taken on a strong European dimension, and the conversion of its legal structure into that of an SE (European Company) was in line with this development. As part of this conversion, an **European Company (SE) Works Council for LVMH SE was created**, made up of 28 members from the 21 European countries where the Group has a presence. The rules for this representative body were laid down in an agreement that was signed unanimously on July 7, 2014, by the elected employee representatives from these 21 countries and by the Group’s Executive Management.

In 2016, the Works Council met on April 7 during a plenary session. The next meeting has been held on April 7, 2017. 2016-17

As a result, the LVMH group’s employee representation system is now comprised of three levels:

- The Works Councils handle most employee-related issues, in keeping with the Group’s culture of decentralization.
- The Group Works Council was formed in 1985. This body, which covers the whole of France and currently has 27 members, has one full meeting every year. Delegates meet with the Presidents of all the Group’s business groups to receive and exchange information on the Group’s strategic direction, economic and financial issues, and employment-related topics.

- Lastly, the European Company (SE) Works Council for LVMH SE handles transnational issues at the European level.

• In France, Group companies have Works' Councils, staff union representatives, Occupational Health and Safety Committee and working conditions committees. The Group Works' Council was established in 1985. Over the course of 2016, employee representatives attended **1,818 meetings**, leading to the signing of **143 company agreements**. 2016-17

• See in "2016 Social Responsibility Report" (pp. 45-48) : **"discussions in France"** and **"Examples of international discussions"**. 2016-17

• At the same time, Group companies are making great efforts to encourage employee input and discussion with management. To this end, they are using **employee attitude surveys** or other **more direct means of obtaining employee input**. Defining and implementing a strategic project at Group companies is also an opportunity to involve employees in thinking about what changes are needed. 2016-17

[📖 See :

- ✓ "2016 Reference Document" (p. 88)
- ✓ "2016 Social Responsibility Report" (pp. 45-48).]

### **☑ Allocation of responsibilities and accountability within the organization :**

#### • **Responsibility :**

▶ See in this COP 2017 "Criterion 1 : The COP describes mainstreaming into corporate functions and business units" (pp. 6-10).

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

▶ See in this COP 2017 "1. Formalized processes about risk exposure analysis" (pp. 10-12).

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

LVMH is very careful that its employees work in the best conditions. Employees and managers are sensitized during training about labour law and human rights. Besides, the topics of moral and sexual harassment are specifically tackled during these prevention trainings. LVMH is committed to implementing the appropriate means to prevent occupational hazards, ensure health and safety and improve working conditions for all its employees, based on the hazards present at the company. The LVMH Group companies have set up measures to prevent the various forms of wear at work and reduce hazards, in particular by informing and training employees. LVMH companies are raising employee awareness and taking various steps to promote well-being at the workplace, improving work environments, addressing strenuous working conditions, preventing and treating psychosocial problems, and educating employees on health and occupational safety issues.

• LVMH holds integration seminars for new hires focusing on its culture, its values, its key management principles and knowledge of its brands. These seminars include an introduction to social responsibility issues. A total of **32,304 employees** under permanent or fixed-term contracts attended seminars of this type **in 2016**. 2016-17

• **In 2016**, 37,658 employees received safety training worldwide, i.e. + **8.5 %** compared to 2015 (34,693 employees). 2016-17

- In regards to **senior executives**, LVMH Group has stepped up its efforts by investing worldwide and particularly by prioritizing effective leadership, high-level performance, a managerial commitment to increased team development, and enhancing the desirability of our brands. **LVMH House**, a real business school for the luxury sector, has been organizing forums bringing together senior executives from all four corners of the Group for several years.

- In addition to the executive training programs provided by their individual companies, **4,000 managers** were able to develop their skills, networks and careers **in 2016** by taking part in one of the programs run by the five Regional Executive Development teams around the world. Furthermore, **6,000 staff** became Group Ambassadors after trying out the “**LVMH View**” online induction platform, which provides an opportunity to learn about the Group’s values and find out more about Group companies and the products and services they offer. These include the “Leadership Lab” forums launched in the United States for new General Managers.

2016-17

- A **diverse range of training courses is also offered to non-managerial employees**, whether in stores, production sites or the various head offices, to support their career development within the Group.

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

## 1. Non-discrimination :

▶ See also in this COP 2017 Criterion 4 (pp. 33-42).

## 2. Health & Safety :

[📖 See :

- ✓ “Health and safety” in “2016 Reference Document” (p. 87)
- ✓ “Managing well-being at work” in “2016 Social Responsibility Report” (pp. 37-44).]

- **Psychosocial Risks** : All Group companies are committed to preventing occupational stress, and pay particular attention to high-risk situations their employees might encounter. [📖 See many initiatives in “Preventing occupational stress” in “2016 Social Responsibility Report” (pp. 41-42).]

2016-17

- **Investments and training** :

2016-17

- The total amount of expenditure and investments promoting **health and safety in the workplace and improvements in working conditions** amounted to over EUR 63 million in 2016, representing 1.3% of the Group’s gross payroll worldwide. LVMH invested more specifically over EUR 31.8 million in health and safety in 2016.
- 34,693 Group company employees received safety training worldwide, **i.e. +8.5% in 2016 compared to 2015** (34,693).

- **Programs and best practices** : [📖 See many initiatives in “2016 Social Responsibility Report” (pp. 38-44).]

2016-17

- Certifications.
- Actions corresponding to the diversity of situations, whose posture and movement training program.
- Beyond preventing occupational stress, the ambition of the Group’s companies is to improve employee well-being at work : services and training, site selection and organization, organization of working time (forms of working time adjustments, work/life balance)...
- More generally, regular Group-wide benchmarking of the **welfare and medical expenses policies** is presented to the social partners on the Group Works’ Council to define a common basis on which employees can be protected. As part of a project looking at the possibility of standardizing healthcare



benefits, a **study of the systems in place in each country has been launched** along with discussions on how common core benefits might be implemented.

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

- **Risk management system and Business Continuity Plan** : The management system of strategic and operational risks take into account the work-related risks. In the context of its production and storage activities, the Group is exposed to the occurrence of losses such as fires, water damage or natural catastrophes.

- LVMH pay particular attention to the risks associated with the storage and shipment of raw materials with particularly 2 sites : Hennessy manufacture in Cognac and Parfums Christian Dior manufacture in Saint Jean de Braye.
- As an example, in March 2011, after the earthquake and tsunami in Japan, a crisis committee has been established in order to protect and support over 5,000 employees and implement a business continuity plan.

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

- Any employee who notices a non-conformity to one of the principles stipulated within the LVMH Code of Conduct **should inform his or her hierarchy**. *« Responsibility for implementation: The Board of Directors of LVMH, to which the Executive Management of the Group submits each year a report on the implementation of the Code's principles, will be the body which ensures its correct application. In accordance with the principle of subsidiarity inherent to LVMH, the executive management team of each operational and legal entity is responsible for compliance with the principles of this Code. Any employee who notices a non-conformity to one of the principles stipulated within the Code should inform his or her hierarchy. »* [📖 See “LVMH Code of Conduct” (p. 19)].

- Although French regulations do not authorize **whistleblowing procedures** as of 2016, some Group companies operating outside France, such as De Beers Diamond Jewellers and Bvlgari, have been able to establish such procedures in certain countries. Sephora America set up a whistleblowing procedure in 2016. In France, at Sephora, a system for submitting concerns via an intranet forum has been set up for employees. Employees at Moët & Chandon and Ruinart also have access to a procedure designed for handling complaints. HR morning meetings provide details and responses to issues that have generated complaints. In 2016, the themes addressed included career management, the role of women in the company and compensation policy. A range of tools is in place to communicate with employees: an intranet site, a company newsletter with a particular focus on the different business activities, evaluation of the quality of employee-employer relations during individual annual reviews, and the creation of a database on economic and social data in cooperation with LVMH. In 2016, TAG Heuer organized four meetings and a survey of all employees. An internal communication system provides news on the brand. A “confidential hotline” was scheduled to come into service in January 2017 as one of the outcomes of the employer’s agreement. The hotline is available to any employee experiencing personal or professional difficulties who wishes to seek confidential support. 2016-17

- Organized dialogue with unions and employee representatives does not exclude the possibility of **consulting employees directly on specific issues**. In 2016, Céline consulted sales personnel to gather opinions on Sunday opening at stores. Loro Piana also carried out an employee satisfaction survey, and a targeted survey on pay and benefits. In February 2017, Moët Hennessy Diageo repeated the opinion survey it carried out in January 2015. With a high response rate of 86%, the 2016-17

2015 survey showed significant advances in a number of areas, notably CSR (up 11 points compared to the previous survey in 2012). Four issues were identified (Management, Culture & Values, Team Spirit & Interdepartmental Links, and Recognition & Compensation) that gave rise to an action plan and the creation of task forces comprising representatives of sponsors, project leaders and contributors. Consulting employees can provide a means of measuring their capacity for engagement and their expectations in this area. Having launched its first employee engagement survey in the Americas in 2015, Fendi set up cross-discipline teams to design action plans and take account of the main areas for improvement identified in the findings of the survey.

- **Issues specific to “corporate projects”** : Defining and implementing a strategic project at Group companies is an opportunity to involve employees in thinking about what changes are needed.

2016-17

- For example, employees at Céline took part in drawing up the handbook for the corporate project. The document was translated into six languages explaining the essence of the company from four aspects : Company, Products, Women and Values. The handbook was distributed to around a hundred international managers on May 30, 2016 as part of a series of workshops looking in particular at the role of women in the company and Céline’s vision for women. It was then discussed by each member of the Management Committee with their personnel (150 participants), with an emphasis on the company’s values, before being communicated to international retail teams as part of a series of videoconferences.
- At Fendi, the 2017–2019 strategic plan was presented to all headquarters and production site staff for a total of 800 people. Various internal events were organized to facilitate discussions between employees. Labor-management dialogue therefore includes agreements reached with the unions and regular communication with employees.
- Among many other examples, in 2016 Sephora launched a program of discussions about the values expressed by the employer brand. Workshops were organized in France, Poland, Italy and Spain, and an online survey was carried out at the same time in Portugal, Greece, the Middle East, Turkey and Scandinavia. More than 400 people took part in this process. The *Les Echos* newspaper organized monthly breakfast meetings between senior managers and employees chosen by ballot, with the aim of discussing the Les Echos group’s strategy. Le Bon Marché launched its “Customer Culture – Act 3” corporate project based on the notion of “agility” as part of a collaborative process that began in 2012. The aim is to enhance the autonomy, skills and performance of staff who are in contact with customers on the ground. Lastly, as part of its centenary celebrations, Acqua di Parma brought together managers from around the world in May 2016 to present the company’s results and targets. This event involved all employees in Italy.

## **Criterion 8 : The COP describes effective monitoring and evaluation mechanisms of labour principles integration:**

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

### **1. Main social responsibility issues :**

- The relevance of the labor principles takes place in a global reflection about stakes and challenges for business group. The “2016 Social Responsibility Report” (pp. 11 and 14) published a mapping of “main social responsibility issues” and “processes” allowing to understand and to take into account the main sources of responsibility and at the same time the **main drivers of performance and reputation**.

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► See in this COP 2017 “☑ Risk and impact assessments in the area of labour” (pp. 46-50).

- The annual review of the organizations and talent within LVMH is a key component of the Group's human resources policy. Every year for the past five years, after each brand has established its **upcoming strategy**, all of the Group's brands define the human and organizational implications of their business targets.

▶ See in this COP 2017 “ Risk and impact assessments in the area of labour” (pp. 46-50).

## 2. Examples of cost-saving and revenue generation :

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- **The value created by a collaborative approach** : In 2014, new programs were inaugurated in order to give the Group's future leaders the tools to function effectively in the industry's increasingly international and diversified environments. The aim of these programs is to help key managers develop authentic leadership skills in harmony with their personal values.

- Through its **EllesVMH program**, a coaching program specifically designed for future female executives was launched with success in 2007. The EllesVMH initiative is aimed at supporting the career development of talented women and helping them achieve their full potential at the LVMH group. **In 2016**, corporate initiatives rallied more than **900 people** (women and men) around this issue.
- Building on this success, the Group capitalized on the enthusiasm stirred up by the initiative to organize “**EllesVMH Connect**”, a completely new worldwide digital event, in November 2016. The initial launch event, held on September 23 and backed by a global digital campaign, featured workshops where women and men worked together on the issue of equality. Nearly 300 discussion groups in 22 countries got to share their ideas on how become more aware of and correct gender-related behaviors that can hold back women's careers, and could post these ideas on the “EllesVMH Connect” platform. Each Group company ambassador was asked to put together a six-person, gender-balanced discussion group, which was invited to connect to an online platform on September 23, 2016. Participants could complete a workshop led by Joan Williams, Professor of Law at the University of California and Founding Director of the Center for WorkLife Law in San Francisco, who presented the results of her research on women and leadership, including four types of behavioral biases that hamper women's career advancement at companies. After watching the videos, participants were invited to share their ideas on how to look out for and correct these detrimental behaviors, by posting them on the “EllesVMH Connect” platform. The in-house initiative was a major success, so the event was extended and replicated at Group companies. **To date, just over 2,000 employees have attended the workshop at around 43 Group companies.** The next step will be to analyze all the contributions made by EllesVMH Connect participants and use them to improve EllesVMH's long-term strategy, a key goal of which is to have women make up 50% of Group companies' management committees by 2020. Some countries such as Japan used the opportunity to re-activate local networks. In other countries, it provided an opportunity to create new communities, such as in Australia, Africa (South Africa and Nigeria) and Latin America (Brazil, Mexico and Argentina). Participants' contributions have helped develop the EllesVMH strategy.

- **The value created by social internal best practices** :

- All of the Group's social/societal initiatives generate savings in the **short, medium and long term**. The sum of the savings generated, costs avoided and intangible value added are not monetized today as positive externalities and are not subject to internal consolidation for the 70 or so Group brands. The Human Resources Department nevertheless tracks and promotes the many social internal best practices which represent value created for Human Capital Development. Many subsidiaries use different cross-cutting indicator allowing to manage and assess the quality of policies : turnover rate, absenteeism, number of hours spent in training, training cost per employee, recruitment cost, recruitment duration, succession plans for critical positions, assessment process, number and decrease of work-related accident, productivity...

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○ **Strategic training for innovation :**

- In 2016, like in previous years, the Louis Vuitton training program focused on **strengthening and sharing professional expertise**. Concurrently, 16 team seminars were held on the importance of team building, reinforcing management, collaborative working and the 360-degree project. After the success of its first hackathon, “Unlock the future of luxury,” Louis Vuitton organized a second on the theme of the supply chain. The major challenge, which immersed participants in the world of logistics at Louis Vuitton, ran from June 17 to June 19 at Ecole 42, an entirely free computer-programming school that does not impose entry requirements. Over 48 hours, the interdisciplinary teams made up of students and recent graduates rose to the challenge set by Louis Vuitton: to invent entirely new applications to improve supply chain management. Around 50 participants, including model architects and data analysts, pooled their skills to develop the most ingenious solutions from raw data and an existing planning platform. The aim was to develop an interactive, collaborative and dynamic distribution, planning and procurement tool. After two days of intense activity organized around workshops and with the support of coaches, the programmers presented their work to a jury.
- In **Watches and Jewelry**, each company’s training program is determined by very specific strategic issues. Hublot, for example, targeted a number of themes, such as watchmaking techniques, IT and computer-aided production engineering (CAPE), to reinforce the annual training plan that is focused on languages, management, digital technology and computer-assisted design. TAG Heuer maintained its policy to develop industry expertise by financing training courses taken by employees in watchmaking. Chaumet introduced a “Management Club” for mid-level managers, one aim of which is to develop their managerial skills. To generate new ideas for the company, a “LAB” of so-called Millennial employees was also launched to develop the creativity of these young employees and give them a forum to engage them with the highest level of management. A training program on self-awareness and the Myers-Briggs Type Indicator (MBTI) was rolled out at the headquarters and subsidiaries to promote collaboration and strengthen the foundations of a shared language.
- In **Perfumes and Cosmetics**, Guerlain established its priorities for skills development in four key areas: creativity, management, communication and digital technology. An unprecedented program in creativity and collective intelligence was implemented in 2016 with more than 10 tangible projects either launched or in the pipeline, and the participation of 200 employees from different departments. In the area of management, a number of pilot projects were launched or are planned to “manage differently,” based on positive discipline and collective intelligence. LVMH Fragrance Brands held a first training and skills development workshop to strengthen the “purchasing framework” in line with LVMH purchasing standards. Similarly, Make Up For Ever stepped up training for the procurement team on the environmental auditing of suppliers. Each month at Make Up For Ever, employees are encouraged to exchange and interact at a dedicated coffee break. The aim is to develop new ideas in line with employees’ creative scope. All the company’s employees were invited to attend three Creation Café days held in 2016, at which mini-conferences and workshops raised awareness about the importance of creativity and innovation.

- **The value of reputation as a top employer :** The LVMH group’s determination to give itself the means to reinforce its image as an employer of choice is aimed at meeting its companies’ increasing demand for top talent. LVMH’s intention to avail itself of the means to strengthen the Group’s and individual brands’ image as a top employer is clearly recognised.

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- For the 11th year running, the **Universum** study, which was published in early April 2016, ranked LVMH as the preferred employer for students at business and management schools. To produce the study, Universum France surveyed 43,214 students from 127 schools studying in 109 different fields. Between October 2015 and February 2016, participants responded to a questionnaire that provided

insight into their professional ambitions and the attractiveness of employers in France. The study revealed that the students and young professionals were considering new criteria when assessing future employers. These included “an inspiring assignment and vocation” and “motivational management,” which was considered the second most important factor after an “attractive and exciting line of products and services.”

- For the eighth consecutive year, LVMH was ranked top of the **Trendence Graduate Barometer** and remained the most attractive company for students from French business schools in 2016. The study, which was conducted by the German Trendence Institute, measures the attractiveness of employers among students in over 30 countries. Conducted in France across 200 learning centers on 27,000 students in partnership with the magazines *L'Express* and *L'Etudiant*, the study reveals the criteria prioritized by students when deciding which companies they would most like to work for. Interesting assignments, career development opportunities and a good atmosphere at work remain at the top of the young generation’s list of priorities.
- In 2016, the LVMH group was cited as students’ preferred employer in France in a number of rankings and also received the **Randstad Award** for the most attractive company in its category in France.
- In addition to its partnerships and on-campus presence, the LVMH group has also developed **new digital tools** to reach a wider audience of students, optimize the job application experience and encourage a diverse pool of candidates to apply. Special emphasis was placed on its reputation as an employer, focusing in particular on describing its “ecosystem” on social media, especially LinkedIn, the world’s largest professional network. This year, according to a survey of this leading professional networking site, LVMH was ranked France’s most attractive employer. These new digital tools help reach a wider audience of students while streamlining the job application experience and encouraging a diverse pool of candidates to apply.  
Examples of these highly innovative initiatives include the “InMind” application (for digitizing CVs submitted on student forums), virtual job forums, pre-recorded video interviews and an online presence on websites such as jobteaser.com.

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

▶ See in this COP 2017 “☑ Dialogue mechanism with trade unions to regularly discuss and review company progress in addressing labour standards” (pp. 50-51).

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

[📖 See :

- ✓ “9.2. Supplier relations” in “2016 Reference Document” (pp. 89-91)
- ✓ “The LVMH Supply Chain” in “2016 Annual Report” (p. 41).]

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**1. Social and environmental audits :** The Supplier’s Code of Conduct sets forth the principle and procedures for the control and audit of compliance with these guidelines. In the interest of continued improvement in this area, the Group’s Houses have continued their supplier audit programs in 2014, together with follow-ups on action plans. The Supplier Code of Conduct also sets forth the principle and procedures for the control and audit of compliance with these guidelines.

▶ See also in this COP 2017 “Social and environmental audits” (p. 23).



**2. Best practices for the year 2016 :** The successful upstream integration of relationships with suppliers is based on a three-pronged approach: awareness, regulation (whose ISO 14001) and audit. Relations with any partner necessitate the latter's commitment to comply with all ethical principles enunciated in the Supplier's Code of Conduct. Many initiatives by Group companies illustrate this commitment.

▶ See in the COP 2017 "Criterion 2 : The COP describes value chain implementation" (pp. 10-29).

### **☑ Outcomes of integration of the Labour principles**

Since the 2007 fiscal year, the Group's reporting of employee information has been **audited each year by the Environment and Sustainable Development department at Ernst & Young**, the Group's statutory auditors. The verification covered the "total Group" value of the following social indicators for 2016 : total headcount as of December 31 and breakdown per professional category, age and geographic region; voluntary and involuntary staff turnover; hiring ; lost time accidents; frequency rate ; severity rate ; percentage of employees trained during the year ; number of days of training per employee ; absentee rate by reason for absence. For fiscal year 2016, Ernst & Young issued a verification/attestation on those indicators.

[📖 Labour KPIs are available in :

- "2016 Reference Document" ("Human Resources" section pp. 73-94).
- "2016 Annual Report" (pp. 138-139).
- "2016 Social Responsibility Report".]

## ***Robust Environmental Management Policies & Procedures:***

### **Criterion 9 : The COP describes robust *commitments, strategies or policies* in the area of environmental stewardship :**

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

##### **Blueprint For Corporate Sustainability Leadership**

##### **CEO Commitment and Leadership**

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

▶ See in the COP 2017 “1. Commitment and involvement at the highest level” (pp. 6-7).

• **Bernard Arnault, Chairman and Executive Officer**, has been involved in several explicit statements (especially at the AGM).

- He also signed the **Copenhagen Communique on Climate Change** launched in June 2009 at the initiative of the Prince of Wales and Cambridge University. This document called for an ambitious, vigorous and equitable global agreement that would provide a credible response to the magnitude and urgency of the crises facing the world.
- LVMH is notably a signatory of the **United Nations Global Compact**.

• **Other international charters and agreements signed or supported by LVMH** provide the framework for the initiatives led by the Group and its Maisons :

- United Nations Global Compact
- OECD Guidelines
- Caring for Climate (*voluntary and complementary action platform for UN Global Compact*)
- Gordon Brown’s “Millennium Development Goals” (2007)
- CITES Conventions (*on International Trade in Endangered Species*)
- Kimberley Process
- The French National Biodiversity Strategy
- 21st United Nations Conference on Climate Change (COP21)
- Sustainable Development Goals (SDGs)

In 2016, the LVMH Environmental Department participated in a number of international conferences and events. Maisons are also involved in a number of technical projects that contribute to their local authority expertise and to environmental discussions with other business leaders.

• **In the specific field of climate change** : LVMH was **one of the partners of COP21** (the 21st Conference of the United Nations on Climate Change) that France hosted and chaired, the largest international summit ever organized in order to combat global warming, between 30 November and 12 December 2015.

<p>[📖 See "Environmental Report 2015" :</p> <ul style="list-style-type: none"> <li>✓ p. 17 (“internal carbon price”)</li> <li>✓ pp. 7, 16 and 31 (COP21).]</li> </ul>	<p>[📖 See "2016 Environmental Report" :</p> <ul style="list-style-type: none"> <li>✓ pp. 5, 46-47 and 52-53 (“LVMH carbon fund”)</li> <li>✓ pp. 31 and 46 (COP21).]</li> </ul>
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- In order to further improve consistency and efficiency of Environmental Strategy “**LIFE 2020**”, in 2016 the Group gave its companies – regardless of their sphere of activity – four shared targets to be achieved by 2020 (2013 being the benchmark year). One of them are directly linked to Climate Change : “cutting energy-related CO<sub>2</sub> emissions by 25%” [📖 See “2016 Reference Document” (p. 97) and “Environmental Report 2016” (p. 13)]
- In November 2015, against a backdrop characterised by the voting of the law on the transition to a low-carbon economy for green growth in mid-August in France, followed by the preparations for the 21st United Nations Conference on Climate Change (COP21), LVMH took an additional step in rolling out the LIFE program via the launching of **an internal carbon price (Carbon Fund)**. Since 1 January 2016, a Maison must invest € 15 in financing innovative projects every time that it emits one metric ton of greenhouse gas in order to reduce its emissions.  
The bet was successful since, one year later, eligible projects amounting to EUR 6.7 million were selected, instead of the EUR 5 million initially planned. The Maisons were heavily involved and contacted the fund to finance 28 projects, 70% of which relate to the stores. [📖 See “2016 Environmental report” (pp. 46-47)]
- LVMH is **signatory of the Paris Climate Action Charter** : In 2015, LVMH has teamed up with the Paris Town Hall in order to achieve the goals of the **European Climate & Energy Plan** by signing a partnership charter. Between now and 2020, the Group has committed to reducing energy consumption by 20 % and to increasing the consumption of renewable energy by 50 % compared with 2013 at its 150 sites in the Greater Paris Area (head offices, warehouses and boutiques). These efforts must be reflected by a 60 % decrease in its greenhouse gas emissions.
- As a reminder, LVMH and its Maisons took part in the discussions during COP21 by organising a **conference on the topic of “Climate and Logistics”**. Following a presentation of the LIFE program by Sylvie Bénard, the Group’s Environment Director, the spotlight switched to the Solar Impulse solar aeroplane project, which is supported by Moët Hennessy to demonstrate the importance of using renewable energy for a carbon-free world. Three issues on the agenda then formed the basis for the discussions: the transportation of products by boat over long distances, the use of electric vehicles for local deliveries and the importance of the human factor when implementing these initiatives. This was an opportunity for Moët Hennessy, LVMH Fragrance Brands Guerlain, Sephora, and Louis Vuitton to present their best practices and to show that the environment was a cross-divisional and uniting topic within the Group.

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• **In the specific field of biodiversity:** The LVMH group has a strategy in place for sourcing and preserving raw materials. Choosing components for product manufacturing is an essential part of preserving the environment, in particular rare resources that are vital for product manufacturing, especially leather and natural plants. The Group pays great attention to complying with the regulations arising from the implementation of the **Nagoya Protocol** in the case of its research and development activities, from the CITES Convention in the case of trade in certain exotic plants and leathers, from the European Union Timber Regulation (EUTR) of 2013 and environmental obligations relating to the Common Agricultural Policy in the case of cognac.

- LVMH has embraced the **French National Strategy for Biodiversity 2011-2020**. This is the French version of the Global Strategic Plan for Biodiversity 2011-2020, which was adopted at the **United Nations Convention on Biological Diversity (CBD)** in Nagoya October 2010. This voluntary commitment was reflected in a first action program, drawn up for the period from 2012 to 2015, and was selected by the French Government as a recipient of the “National Biodiversity Strategy”. When they use plants coming from an emerging countries, the Perfumes and cosmetics Brands act under the “access and benefit sharing” agreement on the **United Nations Convention on Biological Diversity (CBD)** opened for signature at the Earth Summit in Rio de Janeiro on 5 June 1992 and entered into force on 29 December 1993.

The Group's project entitled **“Improving the LVMH activities’ effects on biodiversity from upstream to downstream with a view to having a positive impact on that biodiversity”**, which was presented at the first meeting in 2012, obtained the status of **“recognized commitment to the French National Biodiversity Strategy”**. The SNB followed France's ratification of the **United Nations Convention on Biological Diversity (CBD)** adopted in 2010 in Nagoya. The purpose of the project was to ensure the sustainable and fair use of biodiversity, and to capitalize on the company's experience, and on its environmentally friendly initiatives over two decades. The French National Biodiversity Strategy is structured about six main goals which have been divided into 20 objectives. LVMH selected three of those objectives that are in keeping with its commitment in its project, i.e. **“Making biodiversity a positive challenge for decision-makers”** (objective 3), **“Guaranteeing the sustainable use of biological resources”** (objective 12) and **“Sharing the benefits of using biodiversity in a fair manner at every level”** (objective 13).

In late 2016, as it took the view that its international dimension, its ambitious environmental goals for 2020, the wide variety of its business activities and its historical attachment to biodiversity justified pursuing its commitment, LVMH presented a second project, which is in keeping with the initiatives launched since 2012.

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- Several projects are currently being run by the Perfumes and Cosmetics, Fashion and Leather Goods, and Watches and Jewellery business groups, such as carrying out audits of procedures to examine whether our practices conform to the **Nagoya Protocol on Access and Benefit-sharing**, or developing new sourcing procedures that are responsible and fair, for example for gold and cashmere.

LVMH's teams began preparing in 2015 for the **13th Conference of the Parties to the Convention on Biological Diversity**, which has been held in Cancun (Mexico) in December 2016.

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- The Group attended the **17th Conference of the Parties to the Convention on International Trading in Endangered Species of Wild Fauna and Flora (CITES)**, which was held at **Johannesburg**, in South Africa, in October 2016. At the conference, the Group set out its views on the importance of ensuring a sustainable and legal trade in wild animal and plant species. Meanwhile, its Maisons also understand how to rely on events to publicize their environmental policy and best practices. For instance, Bvlgari attended *L'Isola della Sostenibilità* in December 2016; this event in Rome brought together experts, professionals and members of the general public who had come to get an update on the most recent discussions, challenges and opportunities in the field of sustainability.

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- **Partnership with FRB** : As a founder member of French Foundation for Research on Biodiversity (FRB), the Group became the first private company to join the eight public research bodies that have seats on FRB's Board of Directors in 2014. LVMH has also had a long-standing seat on the Board of FRB's Strategic Orientation Committee; this Committee brings together 160 members in order to review the joint design of research programs aimed at promoting biodiversity. LVMH monitors all the Foundation's work and regularly contributes to this work. Accordingly, the Group carried out a study with FRB on two varieties of plants for cosmetic use included in the formulas for Parfums Christian Dior, namely *Aframomum Angustifolium* from Madagascar and *Anogeissus Leiocarpus* from Burkina Faso. Following this study, the two partners published recommendations on the use of natural substances and on access to and sharing the benefits in the cosmetics sector. The partnership between LVMH and FRB has resulted in a significant amount of research. [📖 See “2016 Environmental Report” (p. 27).]

- LVMH is a member of **Orée association** (*Organisation pour le Respect de l'Environnement* or the Organization for the Protection of the Environment), which brings together companies, regional authorities, professional and environmental organizations, and institutions, in order to review environmental best practices and ways of encouraging integrated management of the environment at a regional level.

The Group attended the organization's annual conference on June 2, 2016. The subject addressed at the conference was **“Biodiversity and the economy: new management, accounting, and network facilitation processes and tools”**.

- **Support for research on natural capital :** Despite recent developments, most economic operators still see incorporating biodiversity into their activities as a hindrance. This observation has led LVMH to provide a scientific explanation in order to encourage better inclusion of natural resources in companies' strategy. The Group financed the thesis on “Incorporating biodiversity into companies' strategy: the Biodiversity Report and the Indicator for Interdependency between the Company and Biodiversity” (2010), followed by Ciprian Ionescu's thesis on “Biodiversity and Organizational Strategy: designing tools in order to manage multiple and inter-temporal relations” (2015). In doing so, the Group intends to promote so-called “strong” sustainability, which is based on the complementarity between three types of capital, i.e. technical, human and natural capital, in contrast with “low” sustainability, where all the types of capital can be substituted for one another.
- **As a reminder :**
  - Sylvie Bénard, the Group's Environment Director, participated at the **Global Forum on Natural Capital** organised in Edinburgh, Scotland in 2015.
  - LVMH adhered to the **Natural Capital Coalition** in 2015. This body is a multi-participant platform whose aim is to develop methods for assessing the use of natural capital by businesses. LVMH tested the protocol under development in the cotton sector this year.
  - LVMH has also adhered to the **Textile Exchange** in order to contribute to the development and implementation of best practice standards in textile sectors.
- **Responsible procurement :**
  - ▶ See “2. Risks management of supply sources” in this COP 2017 (pp. 16-21).

As a reminder, LVMH conducts different actions in the field of **ethno-botany** and **sustainable viticulture**. [📖 See “Environmental Report 2016” (pp. 40-42).]

### **☑ Reflection on the relevance of environmental stewardship for the company:**

#### **Blueprint For Corporate Sustainability Leadership**

#### **Global and Local Working Groups**

**☑ Participate in relevant global or local working groups and share experiences, networks, tools and good practices with other UN Global Compact participants.**

**☑ Take active part in defining scope and objectives of new working groups when relevant.**

#### **Value Chain Implementation**

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

- Like any human activity, the businesses of the LVMH group have an impact on the environment that varies in type and magnitude depending on the sector. The challenges faced by each business have been clearly identified. [📖 For the **main challenges of each business group**, see “2016 Environmental report” (pp. 10-11).]

- Set up in 1992, the **Environmental Department** defines the Group's strategy and as such reports to Antonio Belloni, Group Managing Director of the Executive Committee. The strategy is based on a clear analysis of the issues involved. It is implemented through-out the Group by means of various commitments and focuses on processes, programs, initiatives and internal environment audits that support the actions of each Maison.

- It also assists the Companies in their various different processes, particularly in terms of **eco-building**, **eco-design** and preservation of biodiversity and water resources. The Group's Environmental Department supports the Maisons in their respective initiatives, ensuring that the



Environmental Charter is observed, and running the Environment Committee, which brings together a network of some 100 environmental correspondents from the Maisons several times a year.

- The Environmental Department also runs a variety of specialist in Maison working groups which deal, for example, with the European REACH regulation, **eco-design** and energy consumption in stores.

- **Partnerships and collaborations :**

- Among the different professional collaborations and partnerships :
  - French Foundation for Research on Biodiversity (FRB),
  - Business for Social Responsibility (BSR),
  - Responsible Ecosystems Sourcing Platform (RESP)
  - Leather Working Group (LWG)
  - Association Orée.
- The Group has also become a member of **Textile Exchange**, a US organization recognized for its work in the textile sectors. Textile Exchange is specifically working on developing organic cotton sectors and new “responsible” wool and down standards : the Responsible Down Standard (RDS) and the Responsible Wool Standard (RWS) ;
- LVMH also adhered to the **Natural Capital Coalition** in 2015. This body is a multi-participant platform, where the aim is to develop methods for assessing the use of natural capital by professional businesses.
- Guaranteeing the origin of python skins via the use of DNA and other cellular tracers is the goal of the studies that LVMH has been conducting with Professor Mark Auliya, from the **Center for Environmental Research-UFZ in Leipzig**, since 2013. These studies, which are performed on South-East Asian pythons, specifically aim to make a distinction between farmed animals and animals removed from the natural environment for commercial purposes in order to prevent poaching. They may ultimately supplement the work performed as part of the RESP platform. In fact, LVMH has been involved in devising a method that makes tracing python skins easier with its partners in the platform since 2014. This method is based on visual recognition (as each skin is different in terms of the positioning and size of the scales). RESP began the test stages in 2016.

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- **Eco-design** is a constant source of innovation.

- The LVMH Environment Academy therefore offers Group Maisons’ employees in design, research & development and marketing positions the opportunity to attend a session on the subject of eco-design. A training module covering version 2 of **Edibox** (the software for calculating the Environmental Performance Index or “EPI”) has also be included in the Academy’s offering.
- Loewe organizes training on materials with an attractive environmental performance for its teams responsible for designing and developing products.
- The Louis Vuitton Maison continues to roll out the “Designing Differently to Innovate Tomorrow” program launched in 2014. The session takes two days and is open to all its employees. Attendees learn how to measure the value-added provided by eco-design in their businesses and to use it to innovate by relying on the life cycle of products. The way in which the Louis Vuitton teams work also illustrates the increasing sophistication of eco-design within the Group. The Maison aims to include respect for the environment at a very early stage, starting with the marketing briefs, and intends to rely on life-cycle assessments in order to identify environmental opportunities This is the method that enabled it to reduce the weight and maximize the internal volume of its new *Horizon* luggage, for instance, as well as to guide certain decisions involving design or raw materials. Furthermore, the Louis Vuitton teams use digital models and 3-D printing, from the design stage to

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the industrial manufacture of the products. By offering the opportunity to view the many different possible arrays of colors and materials in a realistic manner, these tools fine-tune the pre-selection of the models to be prototyped and enable savings on materials. Accordingly, 2,500 digital models were created at Louis Vuitton over five months in 2016, while the Maison's projects completed using digital design doubled during the year.

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- The employees specifically familiarize themselves with the eco-design tools that the Group provides them with, such as the **virtual materials library**, which makes it easier to selecting eco-compatible materials.
  - In 2016, an online materials library has been launched, which introduces our designers and developers to over 300 “ecofriendly” materials.
  - The Group is continuing to add to its materials library, which presents several hundred innovative and environmentally-friendly materials that are appropriate for the luxury goods sector to its teams responsible for design, development and marketing.
  - The “Materials to Think About” handbook also draws up a list of the best practices to implement in order to manufacture, distribute, use and facilitate the management of a large number of end-of-life products, from cotton trousers to a website, and including a jewelry case, wine bottle, perfume bottle, shoes, and even store furniture.
- For employees responsible for environmental subjects in the Maisons, the training course also includes an introduction to **analyzing a life-cycle**, delivered in a virtual class by experts from CIRAIG, the Inter-University Research Center for the Life Cycle of Products, Processes, and Services at the Montreal Polytechnique, whose LVMH is one of the industrial partners. It has been supporting CIRAIG's work on the circular economy and the water and finance footprint since 2013, via its International Life Cycle chair.

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#### **☑ Written company policy on environmental stewardship:**

- **One of the five commitments of the Environmental Charter adopted in 2001** : « *Design luxury products by integrating environmental innovation and creativity : Guided by its overriding concern for high quality, LVMH is working to improve control and better anticipate the environmental aspects related to the life cycle of its products. LVMH encourages all processes that result in environmental innovations and accepts its duty to exercise prudence and take precautions to ensure total safety for the consumer.* »
- **New corporate environmental strategic program “LIFE 2020”** : The **LIFE program** was designed in 2011 to reinforce the inclusion of environmental concerns in management processes, facilitate the development of new steering tools, and take into account the changes and enhancements resulting from Group companies' innovative practices. The LIFE program was implemented by the Steering Committee of each Group company and is based on nine key aspects of environmental performance whose two take into **account product stewardship** : “Environmental design” and “Product life span and reparability”.

In order to further improve consistency and efficiency, **in 2016** the Group gave its companies – regardless of their sphere of activity – four shared targets to be achieved by 2020 (2013 being the benchmark year). **Two of them are directly linked to environmental stewardship** [📖 See “2016 Reference Document” (p. 97) and also “Environmental Report 2016” (p. 13)] :

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- sustainable product design : Group companies must make all of their products more environmentally friendly between now and 2020. LVMH's Perfumes and Cosmetics houses and Wines and Spirits houses undertake to improve their Environmental Performance Index (EPI) score by 10 % (see “Raw material consumption”). Fashion and Leather Goods houses and Watches and Jewelry houses are to define sustainable design guidelines to be applied during product development ;
- suppliers and raw materials : Group companies must ensure that optimum standards

are rolled out in their procurement of raw materials supplies and among their suppliers across 70 % of the supply chain in 2020 and 100 % in 2025 ;

The two others are :

- cutting energy-related CO<sub>2</sub> emissions by 25%
- make all production sites and stores more environmentally friendly : Group companies undertake to reduce at least one of the following indicators – water consumption, energy consumption or waste production – by 10 % at each of its sites, and to have an effective environmental management system focused on ongoing improvement. Stores must be made 15 % more energy efficient and new stores will have to achieve a minimum performance of 50 % in the LVMH Store Guidelines score chart.

**✓ Inclusion of minimum environmental standards in contracts with suppliers and other relevant business partners :**

**Value Chain Implementation**

**✓ Communicate policies and expectations to suppliers and other relevant business partners.**

▶ See in this COP 2017 “Criterion 2 : The COP describes value chain implementation” (pp. 10-29).

[ See :

- ✓ “9.2. Supplier relations” in "2016 Reference Document" (pp. 89-91)
- ✓ “LVMH Supply Chain” in "2016 Annual Report" (p. 41).]

**✓ Specific commitments and goals for specified years:**

**Blueprint For Corporate Sustainability Leadership**

**Promotion and Support of the UN Global Compact**

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

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**Local Networks and Subsidiary Engagement**

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

**New corporate strategic program :**

- **New corporate environmental strategic program “LIFE 2020”** : The **LIFE program** was designed in 2011 to reinforce the inclusion of environmental concerns in management processes, facilitate the development of new steering tools, and take into account the changes and enhancements resulting from Group companies’ innovative practices. The LIFE program was implemented by the Steering Committee of each Group company and is based on nine key aspects of environmental performance whose two take into **account product stewardship** : “Environmental design” and “Product life span and reparability”.

In order to further improve consistency and efficiency, **in 2016** the Group gave its companies – regardless of their sphere of activity – four shared targets to be achieved by 2020 (2013 being the benchmark year). [See "2016 Reference Document" (p. 97) and also "Environmental Report 2016" (p. 13)] :

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- sustainable product design : Group companies must make all of their products more environmentally friendly between now and 2020. LVMH’s Perfumes and Cosmetics houses and Wines and Spirits houses undertake to improve their Environmental Performance Index (EPI) score by 10 % (see “Raw

material consumption”). Fashion and Leather Goods houses and Watches and Jewelry houses are to define sustainable design guidelines to be applied during product development ;

- suppliers and raw materials : Group companies must ensure that optimum standards are rolled out in their procurement of raw materials supplies and among their suppliers across 70 % of the supply chain in 2020 and 100 % in 2025 ;
- cutting energy-related CO<sub>2</sub> emissions by 25%
- make all production sites and stores more environmentally friendly : Group companies undertake to reduce at least one of the following indicators – water consumption, energy consumption or waste production – by 10 % at each of its sites, and to have an effective environmental management system focused on ongoing improvement. Stores must be made 15 % more energy efficient and new stores will have to achieve a minimum performance of 50 % in the LVMH Store Guidelines score chart.

• **Sustainable Development Goals** : LVMH supports Sustainable Development Goals (SDGs). Buoyed by the success of the Millennium Goals, the United Nations has developed this program, which consists of 17 goals and 169 targets aimed at guaranteeing the future of the next generations in a sustainable manner. LVMH has conducted a study to assess the contribution of the LIFE environmental program to the SDGs. Accordingly, more than 150 initiatives have been assessed that cover 12 of the 17 goals and contribute to 34 out of 169 targets. Goals 12 and 13 (responsible consumption and combating climate change) were the ones that generated most initiatives. [📖 See “Environmental Report 2016” (p. 14)]

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**1. Eco-design luxury products** : Eco-design involves reducing packaging weight and volume, choosing specific components and raw materials, employing more energy-efficient production processes and introducing initiatives to comply with REACH regulations. International and European regulations have led to more stringent environmental requirements in packaging design and manufacture. In particular, the volume and weight of packaging must not be what some regulations define as “excessive.”

**1.1. Tools and processes** : Over the past few years, the Group has gathered an array of tools in order to promote its development.

• **Environmental performance of all products/packaging** : Thanks to the Simapro **life cycle analysis software**, its teams are able to rapidly identify the measures to take in order to reduce the impact of their products on the natural environment. **Edibox** tool calculates the **Environmental Performance Index (IPE)** for packaging. It also calculates the CO<sub>2</sub> impact of packaging materials and of the product production and transportation processes.

The Group’s Maisons will improve the environmental performance of all of their products by 2020, by taking into account their entire life cycle. In 2016, LVMH launched the second version of Edibox, an Internet tool developed in-house that calculates the Environmental Performance Index (EPI) of the Perfumes & Cosmetics Maisons’ packaging, as well as the CO<sub>2</sub> impact of their packaging materials. Thanks to this new version, the transportation and processes for treating and decorating packaging material can be incorporated into their emission estimates. The Wines & Spirits Maisons also calculate an EPI for all their products. Both business groups have set themselves the target of a 10% improvement in their rating between 2013 and 2020.

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• **“Materials for Thought” (“Matières à penser” handbook)** helps the designers on the marketing teams to incorporate protecting the environment into their thinking by offering them innovative materials, which are environmentally-friendly, and appropriate for the luxury goods sector. These tools are increasingly used within the Group.

• In 2016, the Environment Department incorporated a country-by-country review of the environmental regulations into the **packaging handbook** made available to the Maisons on the Group’s Internet portal.

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- **Ethno-botany and sustainable viticulture :**

- The Ethno-botanical 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. [📖 See “2016 Environmental Report” (p. 41).]
- Sustainable viticulture, another key aspect of LVMH’s responsible supply policy, ensures the sustainability of vines while encouraging biodiversity. The Champagne Houses are very active in this field. [📖 See “2016 Environmental Report” (p. 40).]

- **Waste recovery** has been identified in our environmental mapping called “The business groups’ concerns”. In 2016, **86 %** of the 80,787 metric tons of waste generated by business activities in 2016 were recycled, recovered as energy or re-used [i.e. – **3% in 2016 / 2015** (change compared to 2015 at constant scope)].

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Many Maisons implemented initiatives in the field of waste management, based **upon design and products:**

- Parfums Christian Dior :
  - 80 % of the serums and creams that Parfums Christian Dior launches are refillable. This factor is reflected in the saving of 600,000 liters of water and **about 11.6 metric tons of waste** every year for the *Capture Totale* cream alone.
  - In 2016, **more than 96 %** of the cardboard boxes that package the products manufactured by the Maison came from a Scandinavian producer, which is a model for the sustainable management of forests and caring for the environment, in addition to its FSC and PEFC certification.
- Louis Vuitton **saved 5 % of its leather surfaces** in 2015 compared with 2014 by implementing optimisation processes (where possible, any unused leather is reworked by the tanners, for instance to cover new requirements). For the year 2016, Louis Vuitton has been also using salpa, a type of reconstituted leather, to produce some of the models for its leather good products, which enables it to avoid using real leather.
- Lastly, Chandon do Brasil has made its 75cl bottle lighter, thereby generating a **saving of 413 metric tonnes of glass** in 2015.

- **Use of recycled components :**

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- To recover a portion of its waste, LVMH uses a **joint waste recovery platform called CEDRE** (Environmental Center for Environmentally-Friendly Packaging Elimination and Recycling) platform, which is managed by a partner in Pithiviers. Thanks to various selective sorting channels, the waste gathered at the site is treated in accordance with the specific features of its recovery process, which can therefore be comprehensive. The Maisons in the Perfumes & Cosmetics business group, as well as Sephora and Louis Vuitton, sent packaged items to the platform, including out-of-date alcohol-based products, advertising materials and testers used in the stores, as well as empty packaging returned by customers, etc. Furthermore, Louis Vuitton, Berluti, Christian Dior Couture and Kenzo Mode used the platform to recycle textiles. The platform has continually boosted its recovery capacity over the years, while the amounts and types of waste sent to Pithiviers are increasing. For instance, the platform introduced a new system that improves the recycling of creams in 2016.
- In 2016, CEDRE treated and recycled **2,023 metric tons of extremely diverse waste** in 2016, such as glass, cardboard, wood, metal, plastic, alcohol and cellophane, to a network of specialist recyclers.
- As a reminder, the platform extended its scope of operations in 2014. In addition to perfumes and cosmetics that are past their sell by date and promotional materials, the platform will handle the textile waste from the Berluti, Christian Dior Couture, Kenzo Mode, Louis Vuitton and Sephora Houses.



- **Improving product lifespan** : A product’s lifespan is one of nine key aspects of environmental performance listed in the LVMH “LIFE 2020” program. Extremely high quality standards, which are inseparable from the luxury goods sector, are an essential dimension of LVMH’s activities. They are also an environmental performance criterion. [📖 See "Environmental Report 2016" (pp. 35-36).] 2016-17

LVMH has a major advantage in terms of meeting this challenge, i.e. its extremely high quality standards, which are intrinsic to the luxury goods sector and are an essential aspect of the Group’s activities. As different examples of practices and recommendations followed by our Maisons :

- The Louis Vuitton Maison has therefore undertaken to offer its customers items that are timeless from the outset. It manufactures products with a very long lifespan, and which are easy to repair, and has set up a very high-quality after-sales service, where 50% of the services are performed by its repair workshops, while the other 50% are carried out directly in store.
- High quality standards also convinced Loewe to introduce a maintenance and cleaning service for ready-to-wear and leather products. The manufacturing of products with an extremely long life, which can easily be repaired, and developing after-sales services – such as the ready-to-wear and leather products maintenance and cleaning service – actually enable to reduce the consumption of natural raw materials and contribute to the dissemination of responsible consumption practices.
- “Refills” are also another way for LVMH to extend the lifespan of its products. For instance, Parfums Christian Dior has been developing this concept for many years. The Maison began by applying it to its premium ranges. Nowadays, 80% of the serums and creams that it launches are refillable. This factor is reflected in the saving of 600,000 liters of water and about 11.6 metric tons of waste every year for the *Capture Totale* cream alone. Parfums Christian Dior pursued this initiative in 2016, when it marketed its new *DreamSkin Perfect Skin Cushion* cream in refillable packaging.

**1.2. Actions and benefits** : This policy is bearing fruit, as shown by the increasing number of eco-designed products within the Group. The significant achievements in 2016 include the following examples :

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- **Guerlain wants all its products to be eco-designed by 2020.** Guerlain was a member of the “Pack in Green” jury for the fifth year running in 2016. This jury rewards the best eco-designed innovation in terms of packaging in the luxury goods sector during the year. Eco-design is actually a constant source of innovation for the Maison: it drives the teams’ creativity and enables them to think differently about the luxury of the future, in a more responsible and sustainable manner. Guerlain is developing its products while limiting their environmental impact at each stage of their life cycle. It has decided to calculate the EPI for each new product release in order to align itself with an ongoing improvement approach. Its Chief Operating Officer and its Marketing and Communications Director have been appointed as the sponsors for this objective. They perform quarterly reviews with the teams within a Sustainable Innovation Committee. Reducing, recycling and re-using Guerlain has already saved 35 metric tons of cardboard every year, thanks to this approach, by redesigning its perfume boxes in order to reduce their size by 15%. Its shopping bags are now entirely recyclable, while all its pouches are FSC-certified, and its Bee bottles can be refilled indefinitely, thanks to the perfume fountains installed in its boutiques. Guerlain is also very proud of the development of its new cream, *Orchidée Impériale*, which was launched in 2017. This cream was designed by applying the rule of the three “Rs”, i.e. reducing, recycling and re-using. The packaging was worked on with marketing experts and developers in order to combine design, quality of execution and respect for the environment. The size of the pot was also adjusted to its contents, and its weight was decreased by 60%. Meanwhile, the size of the box was reduced by 40%, and it was made 100% recyclable. These efforts enabled the Maison to decrease the project’s carbon footprint by 58% on an overall basis.
- **Krug** relied on eco-design in order to renew its three Vintage, Rosé and Grande Cuvée boxes, and developed a unique customizable box made entirely out of FSC certified fibers. The new packaging, which is made out of a single material and is easier to produce, retains its prestigious appearance. The wedging

foam inside the box, which is made from recycled PET, which is usually used as an insulation material in the construction sector, is a technical feat. Krug worked with its partner suppliers in order to adjust this foam for the luxury goods sector and its requirements. The Maison also eco-designed new crates for transporting packaging, and got rid of the plastic bags used for protection by working on the resistance of corners and using anti-abrasive varnish. This initiative is in keeping with the more general context of a proactive policy for eco-designing the packaging of the Wines & Spirits Maisons, which is guided by systematically calculating the Environmental Performance Index. This is a system for assessing all the packaging from an environmental standpoint, and is based on predetermined criteria, including the nature of the materials, the weight and volume of the packaging, its production and its transportation.

- **Louis Vuitton stores** are made out of FSC-certified paper that includes over 40% of recycled fibers. Although this paper, which is thicker, with bag handles made from cotton ribbon that has replaced polyester, offers greater strength when carried, the new gift box formats fold down flat, thereby substantially reducing the CO<sub>2</sub> impact of distributing them to the stores, while offering a better service to customers, who can now slip them into their luggage more easily. The light colors and insides of the packaging evoke the shade of natural leather, which has been used by the Maison since 1860, including for the handles and labels of bags, luggage and trunks. The way in which the Louis Vuitton teams work also illustrates the increasing sophistication of eco-design within the Group. The Maison aims to include respect for the environment at a very early stage, starting with the marketing briefs, and intends to rely on life-cycle assessments in order to identify environmental opportunities. This is the method that enabled it to reduce the weight and maximize the internal volume of its new *Horizon* luggage, for instance, as well as to guide certain decisions involving design or raw materials. Furthermore, the Louis Vuitton teams use digital models and 3-D printing, from the design stage to the industrial manufacture of the products. By offering the opportunity to view the many different possible arrays of colors and materials in a realistic manner, these tools fine-tune the pre-selection of the models to be prototyped and enable savings on materials. Accordingly, 2,500 digital models were created at Louis Vuitton over five months in 2016, while the Maison's projects completed using digital design doubled during the year.

- **The benefits of eco-design are tangible :**

- For instance, by eliminating the external packaging and altering the materials for its new face mask launched in 2016, **Sephora** avoided emitting 51 metric tons of CO<sub>2</sub> into the atmosphere. Sephora has also set up a working group on the life cycle of products in the United States. First, the Maison quantified the environmental impact of its Sephora Collection *Rouge Cream Lipstick Rouge* lipstick range. Then it assessed the results, again relying on experts, in order to identify avenues for improvement. Thanks to this study, Sephora US knows that it must focus its efforts on the ingredients used in manufacturing its lipsticks, and on their packaging and sale as a priority.
- "Refills" are also another way for LVMH to extend the lifespan of its products. For instance, **Parfums Christian Dior** has been developing this concept for many years. The Maison began by applying it to its premium ranges. Nowadays, 80% of the serums and creams that it launches are refillable. This factor is reflected in the saving of 600,000 liters of water and about 11.6 metric tons of waste every year for the *Capture Totale* cream alone. Parfums Christian Dior pursued this initiative in 2016, when it marketed its new *DreamSkin Perfect Skin Cushion* cream in refillable packaging.

## 2. Partnerships and research :

- **Biodiversity Research Foundation (FRB) :**

In November 2014, LVMH joined the eight public research bodies that are members of the Board of Directors of the **Biodiversity Research Foundation (FRB)**. The admission of LVMH to the FRB Board of Directors also reflects its involvement alongside the Foundation, which the company has been supporting for over six years. The partnership between LVMH and FRB has resulted in a significant amount of research. For instance, at the Group's request, the FRB conducted a study aimed at gaining a better understanding of the complexity of the issues relating to the application of the Nagoya Protocol. This Protocol, which was

adopted in 2010, establishes the principle of access to and sharing benefits, and aims to govern the relationship between a supplier of genetic resources and a user during research and development activities. The experts gathered by the Foundation met the LVMH Perfumes & Cosmetics Research Team, and carried out several assignments in order to gather information from operators in two supply sectors (*Aframomum Angustifolium* from Madagascar, and *Anogeissus Leiocarpus* from Burkina Faso). They were therefore able to make a series of recommendations regarding the use of natural substances and accessing and sharing benefits in the cosmetics industry.

- **Life Cycle Research Projects :**

- LVMH has been one of the industrial partners for **CIRAIG**, the Inter-University Research Centre for the Life Cycle of Products, Processes and Services based at the École Polytechnique and Management Sciences School at the University of Quebec in Montreal. The Group is primarily a member of the working groups on the circular economy and the water footprint.
- **Leather sourcing** is a strategic priority, and Group companies mainly use European cowhide leather.

▶ See in this COP 2017 “2. Risks management of supply sources” in this COP 2017 (pp. 16-21).

- Guerlain was a member of the “**Pack in Green**” jury for the fifth year running in 2016. This jury rewards the best eco-designed innovation in terms of packaging in the luxury goods sector during the year.

- **Environmental labelling:**

- In 2016, Loro Piana supported the filing of an **amendment by the Peruvian Government** aimed at ensuring that there is only one label for trademarking the origin of vicuna fibers, which will enable **better traceability**. 2016-17
- 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 labelling trial. As a reminder, in 2011-2013, LVMH has participated, with Sephora, in the French Government’s trial of environmental labelling. 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 labelling trial. LVMH and Group Houses (particularly Sephora) are supporting the work being done in France and around the world regarding environmental labelling, particularly for the Perfumes & Cosmetics, Fashion & Leather Goods, Watches & Jewellery and Wines & Spirits business groups.
  - For instance, to better inform and educate consumers, Sephora and LVMH participated in an environmental labelling trial in France conducted between July 2011 and July 2012 using two of Sephora's flagship products: Shower Gel and Shower Cream. Information on greenhouse gas emissions and water consumption throughout the products' life cycle was posted on Sephora's website. Labelling was based on the template defined by the French Consumer Industries' Liaison and Studies Institute (ILEC) and used by many companies.
  - LVMH is also very involved in work currently being performed in France on environmental labelling guidelines for different sectors. It is a member of the working groups focusing on food/wines and spirits, beauty, textiles and leather, jewellery/watch-making and hotels.

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

### **☑ Environmental risk and impact assessments :**

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#### **Robust Management Policies and Procedures:**

**☑ †Assess risks and opportunities on an on-going basis at both enterprise and product level and undertake due diligence to ensure that the company identifies any negative impacts caused by its operations and activities.**

• **Major risks** : Specific monitoring procedures apply to some of the risks associated with the Group's businesses (damage to image or reputation, counterfeit goods and parallel markets, industrial and environmental risks, foreign currency and interest rate risk...). [📖 These risks are discussed in "2016 Reference Document" (pp. 35-40 and 128-129).]

See more particularly :

- "2.1.6. Consumer safety" (p. 37)
- "2.1.8. Supply sources and strategic competencies" (p. 37)
- "2.1.10. Industrial, environmental and meteorological risks" (p. 38)
- "4.2. Adapting to climate change" (p. 105) : Since 2013, the Group has reviewed the various challenges involved in adapting to climate change. The production of the raw materials required to make the Maisons' products emerged as the most sensitive stage. In the medium term, changing viticulture practices is the main component of the Group's adaptation strategy. Several responses are possible where the European vineyards are concerned, depending on the magnitude of the climate change observed, from changing the harvest dates, changing the methods for managing the vines (widening the rows, increasing the size of the vines and using irrigation in some countries, etc.) to trialing new grape varieties. In the case of vineyards located in Argentina and California, the main challenge is the availability of water. Lastly, in view of current scientific knowledge, vineyards located in New Zealand or Western Australia are the least sensitive to climate change. [📖 See "4.2. Adapting to climate change" in "2016 Reference Document" (p. 105) and "2016 Environmental Report (p. 37).]

► See in this COP 2017 :

- "Criterion 2 : The COP describes value chain implementation" (pp. 10-29)
- and particularly "2. Risks management of supply sources" (pp. 16-21).

• **Business groups' main concerns** : Like any human activity, the businesses of the LVMH group have an impact on the environment that varies in type and magnitude depending on the sector. The challenges faced by each business have been clearly identified. [📖 See "2016 Environmental Report" (pp. 10-11).]

► See in this COP 2017 :

- "Criterion 9 : The COP describes robust *commitments, strategies or policies* in the area of environmental stewardship" (pp. 59-70).

and particularly :

- "2. Risks management of supply sources" (pp. 16-21)
- Climate Change (pp. 59-60)
- Biodiversity (pp. 60-62).

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

## 1. Key management and external certification processes :

- At the end of 2016, **36% of 369 industrial, logistics or administrative sites** were **ISO 14001** certified (including of the **66% of the industrial sites**).
  - All of the Cognac, Champagne and Vodka Houses have now obtained ISO 14001 certification. In 2016, Guerlain France, Hennessy and the Louis Vuitton logistics center in Cergy-Pontoise upgraded to the 2015 version of ISO 14001 in 2016. The new standard, which applies to the entire product value chain and requires the business to assess its environmental performance on a regular basis, is expected to produce further progress.
  - Hennessy was the first wines and spirits company in the world to obtain ISO 14001 certification in 1998 and this certification has been renewed every three years since that date. the Maison is strengthening its system on an ongoing basis: for instance, it continued to increase its team of internal auditors trained on the new version of ISO 14001 in 2016.
- In the area of food safety management, the entire Champagne-Cognac-Vodka group is **ISO 22000** certified. In Poland, the Belvedere Distillery has developed a comprehensive certification system, which is based not only on the ISO 14001 and ISO 22000 standards, but also on the OHSAS 18001 standard (guidelines for managing health in the workplace) and the HACCP (Hazard Analysis Critical Control Point) method, which aims to assess critical danger-points in order to control them. In California, Chandon California and Newton adopted a new environmental policy for managing their vineyards in 2011, enabling them to obtain Napa Green Winery certification. Both vineyards obtained a second certification the following year, namely Napa Green Land.
- Lastly, some Maisons such as Belvedere were awarded **ISO 50001 certification**, which focuses on improving energy efficiency.

[📖] See also :

- ✓ "2016 Reference Document" (p. 93)
- ✓ "2016 Environmental Report" :
  - "Certification processes" (pp. 21-22)
  - "A sustainable construction policy" (pp. 22-23).
  - "Responsible jewelry and certification (RJC)" (pp. 24 and 36).]

## 2. Audits and controls concerning industrial, environmental and meteorological risks :

- Group companies are audited on a regular basis by third parties, insurers or internal auditors, which enables them to keep their compliance monitoring plan up to date. In 2016, certain manufacturing, logistics and administrative sites, as well as certain large stores, were audited, for a total of **104 external audits** and **107 internal audits**, with some sites being audited several times during the year. These audits correspond to an inspection of one or more sites of the same company based on all relevant environmental issues – waste, water, energy, and environmental management – and are documented in a written report including recommendations. This figure does not include the numerous compliance controls that may be performed on a specific environmental regulation topic, e.g. a waste sorting inspection, performed periodically by the Group companies on their sites.



- In the context of its production and storage activities, the Group is exposed to the occurrence of losses such as **fires, water damage or natural catastrophes**. To identify, analyze and provide protection against industrial and environmental risks, the Group relies on a combination of independent experts and qualified professionals from various Group companies, and in particular safety, quality and environmental managers. They pay particular attention to the risks associated with the storage and shipment of raw materials. The definition and implementation of the risk management policy are handled by the Finance Department. The protection of the Group's assets is part of a policy on industrial risk prevention meeting the highest safety standards (**FM GLOBAL and NFPA fire safety standards**). Working with its insurers, LVMH has adopted **HPR (Highly Protected Risk) standards**, the objective of which is to significantly reduce fire risk and associated operating losses.

- This approach is combined with an industrial and environmental risk monitoring program. **In 2015, engineering consultants audited about 50 sites.**

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- In addition, prevention and protection schemes include contingency planning to ensure business continuity.

**3. Prevention of product-related risks :** LVMH pays very close attention to the traceability and compliance of the materials and substances used to manufacture the products marketed by its Maisons, as part of its general risk management process.

- The **HACCP (Hazard Analysis Critical Control Point) method** is used in the Wines & Spirits and Perfumes & Cosmetics business groups. In addition to industrial safety, the Group's companies also work to ensure greater product safety and traceability to reinforce the Group's anticipation and responsiveness in the event of a product recall.

- A **legal intelligence** team has also been set up in order to better manage the heightened risk of liability litigation, notably that to which the Group's brands are particularly exposed.

- LVMH pays considerable attention to the traceability and **compliance of all the materials and substances used to manufacture the products marketed** by its Maisons. LVMH has gone further in the case of the Maisons in the Fashion & Leather Goods and Watches & Jewelry business groups by opting for a genuine risk management policy. It has drawn up a comprehensive program focused on a new internal standard, the **LVMH RSL (Restricted Substances List)**, which prohibits or restricts the inclusion of certain substances in the items brought to market, or their use by suppliers.

The Group began training its teams on how to use the RSL in 2016, which will help the Maisons to adopt a continual improvement approach. Another in-house tool, the

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**LVMH Testing Program**, strengthens the audit system for the Maisons in the Fashion & Leather Goods business group: it enables them, at five partner laboratories, to test substances considered the most at risk, depending on the materials. LVMH's Environment Department has also prepared and distributed specific technical handbooks in order to help suppliers to eliminate certain substances and use alternatives. At the same time as these initiatives, the Group is continuing its discussions with other operators in the luxury goods sector and professional organizations in order to develop best practices.

- Concerning **security and health related to Perfumes and Cosmetics products**, the LVMH Group has already been working for several months on establishing procedures so that it is ready when the new european regulation n° 1223/2009 on cosmetic products adopted on November 30, 2009 took effect on July 2013. Finally, the LVMH Group is in compliance with the Globally Harmonized System Regulation, intended to harmonize the classification and labeling of chemicals.

[📖 See :

- "2016 Reference Document" (pp. 106-107 : "6. Consumer Health and Safety").

- "2016 Environmental Report" (pp. 42-43)]

#### 4. Suppliers-related risks :

- **Prevention of suppliers-related risks.** The Supplier's Code of Conduct sets forth the principle and procedures for the control and audit of compliance with these guidelines. In the interest of continued improvement in this area, the Group's Houses have continued their supplier audit programs in 2013, together with follow-ups on action plans. The Supplier Code of Conduct also sets forth the principle and procedures for the control and audit of compliance with these guidelines.

▶ See in this COP 2017 Criterion 2 (pp. 10-29)

- **Responsible jewellery and RJC certification :**

▶ See in this COP 2017 pp. 16, 22, 24, 72, 74, 108-109,

#### 5. Expenses and provisions :

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[📖 See "2016 Reference Document" (p. 98)]

- **Environmental protection expenses in 2016 broke down as follows :**

- operating expenses : EUR 13.5 million in 2016 (EUR 11.3 million in 2015, i.e. an increase by +19.5%) ;
- investments : EUR 10.3 million in 2016 (EUR 12 million in 2015).

The environment also benefitted from indirect expenditure, such as the cost of training, of providing technical support to in-house teams, or of the environmental quality of its buildings.

- **Provisions and guarantees** given for environmental risks, and compensation paid during the year pursuant to a court decision : The amount of EUR 13 million as of December 31, 2016 (EUR 13 million indicated for 2015) corresponds to the financial guarantees required by law for Seveso upper-tier establishments.

#### 6. Internal information sharing on ESG risks operates through various processes and tools :

- balance sheet presentation of the sustainable development policy to the Board of Directors;
- monitoring of the action plan under the "CSR Steering Committee" ;
- specific control by the Audit and Internal Control Department ;
- review project by the "Environment Committee" and the network of "CSR Representatives";
- specialized collaborative working groups :
  - "Annual Supply Chain meeting" ;
  - meetings of operational leaders in order to discuss the mapping of the Group ;
  - specific meetings and working groups on environmental issues : REACH regulation, etc.. As an example, the LVMH Environmental Department has set up a network of 150 REACH officers at the Houses. It brings those officers together on a regular basis, in order to exchange information and best practices, anticipate future regulatory deadlines and foster the emergence of substitution or innovation projects.
- sharing information via :
  - **Finance Intranet** : Since the launch of the Group's new approach to risk, all executive-level personnel responsible for risk management procedures across the Group have had access via the Finance Intranet to procedures and tools designed for the assessment, prevention and coverage of risks, together with the information provided by the Risk Management and Insurance Department.
  - **Discussion forums** are organized by the **Internal Control department for the main risk categories selected by most of the participants**. These forums bring together risk managers, operational staff and internal control managers and have thus helped facilitate the sharing of best practices across the Group.

- "LVMH Mind" extranet dedicated to the policy of social and environmental responsibilities. In 2009, an Intranet website ("LVMH Mind") was launched to better communicate internally the Group's commitment to responsible corporate citizenship. On this website, specifically devoted to social and environmental responsibility, employees can find, the Environmental Charter first adopted in 2001, the Supplier's Code of Conduct introduced in March 2008 and the LVMH Code of Conduct (ethical and good governance principles) adopted in May 2009.

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

► See in this COP 2017 the "Criterion 9 : The COP describes robust *commitments, strategies or policies* in the area of environmental stewardship", with different approaches concerning "lifecycle impact of products" (pp. 59-70).

**☑ Allocation of responsibilities and accountability within the organization:**

**Blueprint For Corporate Sustainability Leadership**

**Board Adoption and Oversight**

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

**Full Coverage and Integration Across Principles**

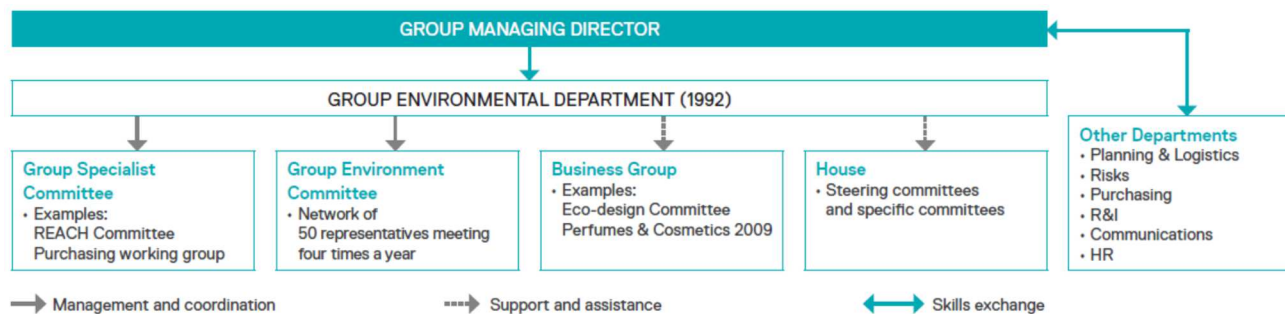
- ☑ Design corporate sustainability strategy to leverage synergies between and among issue areas and to deal adequately with trade-offs.
- ☑ Ensure that different corporate functions coordinate closely to maximize performance and avoid unintended negative impacts.

**Mainstreaming into Corporate Functions and Business Units**

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

► See in this COP 2017 "Criterion 1 : The COP describes mainstreaming into corporate functions and business units" (pp. 6-10).

- The "**LVMH Code of Conduct**" distributed to all Group employees specifies LVMH Contacts (always available in 2016) for environmental issues : **Sylvie Bénard, Environmental Affairs Department**. [📖 See "LVMH Code of Conduct" (p. 21).]
- 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.
  - The driving force behind our shared vision since 1992 has been the **Group's Environmental Department** which reports directly to a member of the Executive Committee, namely **Antonio Belloni, the Group's Chief Executive Officer**. Its tasks consist of supporting the Maisons in their respective initiatives, ensuring that the **Environmental Charter** is applied, rolling out the **strategic LIFE program**, and running the **Environment Committee**, which arranges meetings several times a year for a **network of some 80 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 in order to successfully implement their initiatives aimed at protecting the environment. Each Maison has its own additional resources depending on local conditions and the type of its in-house projects.
  - Accordingly, Guerlain has set up a **Sustainable Development Department** and **Steering Committee**. This Committee, which includes around fifteen employees from all the Maison's management teams, determines targets to be achieved by each facility and Department every year, as well as an action plan to implement. In 2014, for instance, **Guerlain** decided to set up a new body : a **Sustainable Innovation Committee**, which each quarter brings together the employees responsible for marketing and packaging in order to approve major decisions relating to eco-design.
  - Louis Vuitton has a similar **department, which is responsible for managing its environmental strategy**, primarily via setting up steering groups on specific issues, such as the recycling of materials or ISO 14001 environmental certification. The Environment Manager also attends the **Ethics and Risk Management Committee**, which brings together around ten key employees, including three members of the Management Committee. These central organizations are supplemented by around a **hundred CSR officers or ambassadors**, who convey the Head Office's approach at workshops and in the geographical regions. In several countries, like Italy and China for example, this network is combined with in-store supervisors, the "Green Advisors".
- **External verification of environmental reporting:** The LVMH Group has been consolidating environmental indicators since 1999, and they have been published since 2001. They have been verified by one of the Auditor's specialized teams since 2002. These indicators are published in the Registration Document and in the Group's environmental report.
  - All the consolidation and calculation rules are defined in the **LVMH environmental reporting protocol**, which is updated annually, and is available for public consultation from the Environmental Department. [📖 See "Note on the methodology of environmental report" in "2016 Environmental Report" (pp. 60-63).]
  - Any request to read the document may be made by writing to: [environnement@lvmh.fr](mailto:environnement@lvmh.fr)

#### **External verification of the environmental data and practices :**

Since 2003, the LVMH Group has had its environmental reporting voluntarily and independently audited by Ernst & Young, one of the Group's auditors, in accordance with ISAE 3000 (the International Standard on Assurance Engagements 3000 of the International Federation of Accountants). For fiscal 2016, the work focused on :

- a **limited degree of assurance** concerning some selected environmental indicators :
  - general environmental policy
  - preventive, reduction and compensatory measures for discharges into the air
  - water and soil having a serious environmental impact
  - waste prevention, recycling and elimination measures

- water consumption and water supply considering local constraints
  - raw material consumption and measures undertaken to enhance resource efficiency
  - energy consumption, measures undertaken to improve energy efficiency and to promote the use of renewable energy
  - release of greenhouse gases
  - measures undertaken to develop biodiversity
  - consumer health and safety.
- a **reasonable degree of assurance** concerning others selected environmental indicators :
    - percentage of sites certified ISO 14001 (%)
    - total water consumption for process needs (m3)
    - total waste produced (metric tons)
    - total hazardous waste produced (metric tons)
    - percentage waste recovery (%)
    - total energy consumption (MWh)
    - total greenhouse gas emissions (metric tons of CO<sub>2</sub> equivalent)
    - total packaging that reaches customers (metric tons)
    - Chemical Oxygen Demand (COD) after treatment (metric tons / year).

[📖 See “2016 Environmental Report” (pp. 108-110).]

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

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

**2. Training and awareness :** LVMH and its Houses also rely on employee training in order to develop eco-design. Training tools, dedicated to the environment correspondents in the Houses, were developed. The Group’s Maisons continue to provide staff with training and education about the environment.

- In 2016, these programs comprised **20,511 training hours**, to compare with 2015 (17,049 hours), 2014 (21,489 hours) and 2013 (20,004 hours) 2,000 of which were directly managed by the LVMH Environment Academy.. [📖 See “2016 Environmental Report” (p. 19)]

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- **Training in eco-design :** Inclusion of the environment, from the design stage of products, is one of the LIFE Program’s priorities. The **Environment Academy** therefore offers Group Maisons’ employees in design, research & development and marketing positions the opportunity to attend a session on this subject. The employees specifically familiarize themselves with the eco-design tools that the Group provides them with, such as the virtual materials library, which makes it easier to selecting eco-compatible materials. For employees responsible for environmental subjects in the Maisons, the training course also includes an introduction to analyzing a life-cycle, delivered in a virtual class by experts from CIRAIG, the Inter-University Research Center for the Life Cycle of Products, Processes, and Services at the Montreal Polytechnique. A training module covering version 2 of Edibox (the software for calculating the Environmental Performance Index or “EPI”) has also be included in the Academy’s offering for the Perfumes & Cosmetics Maisons.

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- In the field of **eco-design**, in 2016, for instance, the Environment Department incorporated a country-by-country review of the environmental regulations into the packaging handbook made available to the Maisons on the Group’s Internet portal.

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- Among the Group's company for instance :

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- About 30 employees from **LVMH Fragrance Brands** attended a session on eco-design and environmental communications in 2016.
- **Loewe** organizes training on materials with an attractive environmental performance for its teams responsible for designing and developing products.
- Meanwhile, the **Louis Vuitton** Maison continues to roll out the “Designing Differently to Innovate Tomorrow” program launched in 2014. The session takes two days and is open to all its employees. Attendees learn how to measure the value-added provided by eco-design in their businesses and to use it to innovate by relying on the life cycle of products.

- LVMH began drawing up a **training course on the Environmental Assessment of Suppliers in 2014**, working together with some of the Maisons. The course will be offered to environment managers, as well as to any employees in contact with the Group's partners, for example, buyers, developers, quality assurance managers and so on.

- The Group's buyers are invited to attend a one-day session entitled “**Building environmental performance with suppliers**”. They learn how to identify environmental risks relating to suppliers' practices and to improve the assessment of those risks using a matrix of 10 questions developed by LVMH.

- Concerning **Louis Vuitton**, the year was also characterized by the creation of a training program on the Environmental Assessment of Suppliers, which is intended for all the Maison's employees in contact with suppliers, buyers, developers and quality experts, etc. The pilot session, which was organized in November and December 2016, included eight attendees.

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- To guarantee the quality of their supplies, the **Champagne Maisons** began rolling out the Sustainable Viticulture and High Environmental Value (HEV) certification with their grape suppliers in 2016. Eight training sessions were organized for 90 winegrowers. The percentage of the Champagne vineyards that has been awarded sustainable viticulture certification has therefore increased from 7% to 10% in one year, i.e. the highest increase recorded in terms of agricultural certification.

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- To promote the framework agreement on water, the **Hennessy** Maison entered into a partnership with the Charente and Charente-Maritime Chambers of Agriculture in order to help its wine-growing partners to finance the assessment that precedes measures to ensure compliance in terms of managing discharges. Ten half days of training on environmental best practices were provided in order to continue supporting its delivery drivers.

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- 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”.

Employees in the stores and the teams responsible for procurement may also follow the training course offered by the Environment Academy on **CITES** (Convention on International Trading in Endangered Species of Wild Fauna and Flora), in order to gain a better understanding of the way in which it concerns their day-to-day businesses.

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- The Maison provided **ISO 14001 certification training** to the management staff at its industrial sites and to all those involved in the project groups. LVMH continued the training course on the **ISO 14001 internal audit** intended for the Maisons' environmental management system heads in 2016. This training course, which leads to a qualification and began in 2014, is expected to enable the Group to develop joint audits with the Maisons' environmental auditors, to exchange best practices and to increase the overall effectiveness of the audits.

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- Concerning **REACH regulations**, ten or so awareness-raising and training sessions on product compliance and chemical substances were also organised during the year in order to strengthen the Maisons' inclusion of regulatory constraints.

In the case of the Maisons in the Fashion & Leather Goods and Watches & Jewelry business groups, LVMH has drawn up a comprehensive program focused on a new internal standard, the LVMH RSL (Restricted Substances List), which prohibits or restricts the inclusion of certain substances in the items brought to market, or their use by suppliers. The Group began training its teams on how to use the RSL in 2016, which will help the Maisons to adopt a continual improvement approach.

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- Concerning the **LVMH Light Programme**, the LVMH Environment division is increasing the number of initiatives aimed at disseminating the “LED culture” internally. It is working on lighting issues with the teams responsible for the Maisons' design and environment, arranges training sessions and organises a “LED Exhibition” at LVMH's Head Office in Paris every year.

For instance, LVMH organized three “LED Exhibitions” in Paris, New York and Hong Kong in 2016. As LED technology is still recent and relatively non-standardized, the Group also published an e-commerce website online, [lvmhlighting.com](http://lvmhlighting.com), in 2014, which offers the Maisons and their lighting installers the most innovative, effective and low-cost solutions for fitting themselves out. LVMH rolled out a new version of the website in 2016, and two Maisons, Louis Vuitton in France and Sephora in Portugal, have begun using it to maintain their electrical systems on an experimental basis. [See “Environmental Report 2016” (p. 48).]

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### 3. Developing communications and internal/external events :

- Major events provide LVMH and its Maisons with a privileged framework for demonstrating their commitment to the environment. This is particularly the case with “European Sustainable Development Week” (in April), “European Mobility Week” (in September) and “European Week for Waste Reduction” (in November).

- Training is not the only means LVMH uses to involve its teams in caring for the environment. The Group and its Maisons also rely on communications and events. For instance, every year Guerlain rolls out an internal communications plan dedicated to its environmental approach, which resulted in sending about 20 “e-news items” to its employees in 2016. To raise its teams' awareness of its sustainable procurement sectors, the Maison also launched “The Perfume Maker's Calendar”, a memo in which Thierry Wasser discusses his favorite materials, such as Indian vetiver.

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▶ See in this COP 2017 the great diversity of partnerships and events (pp. 105-115).

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### **☑ Grievance mechanisms, communication channels and other procedures (e.g. whistle-blower mechanisms) for reporting concerns or seeking advice regarding environmental impacts:**

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

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

- The site is available to all Group employees and is both an information resource and a collaborative working tool for the environmental correspondents. It is also a means for employees to receive newsletters and subscribe to newsflashes.
- On this website, specifically devoted to social and environmental responsibility, employees can find the LVMH Code of Conduct, but also the Environmental Charter first adopted in 2001 and the

Supplier Charter introduced in 2008, which ensure compliance across the entire supply chain with strict guidelines.

• **“Well-handed client’s request in relation with environment” :**

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.

○ **Any member of the public should be able to find contact persons at the Group’s Houses and stores and obtain valuable information on its environmental initiatives.**

- This proactive approach was illustrated by Louis Vuitton. The Maison, which communicates its environmental approach, drafted targeted replies to questions on a variety of issues from subsidiaries, customers and NGOs. To supplement the information supplied to Internet users, it added a spotlight on the end of life of its products on its website. The Maison also presented its initiatives aimed at protecting the environment in an academic context when it addressed students studying for the Marne-la-Vallée Master’s Degree in Luxury Goods and Innovation. Lastly, Louis Vuitton attended Luxe Pack, the luxury goods packaging tradeshow, which was held in Monaco in October. Representatives of the Maison formed part of the Jury for the “Luxe Pack in Green” Award, and spoke at the roundtable on the challenges posed by climate change to the strategies of operators in the luxury goods sector.
- Although Bvlgari has chosen to set up a cross-divisional team responsible for responding to customers’ requests, most Houses focus on making all their employees ambassadors for their environmental protection policy. They draw up training courses and talking points for them, and even distribute handbooks in order to help the store personnel to answer certain questions, such as those relating to the REACH Regulations, or to Responsible Jewellery Council certification. At the same time, they are ready to provide all kinds of information, including answering requests from financial investors, with a constant requirement for transparency and accuracy.

○ **Management of satisfaction and complaints** [📖 See the example of cosmetic products and consumer safety in “Environmental Report 2016”(p. 43)] :

- The very stringent requirements on cosmetic products guarantees the safety of our cosmetics, not just at the time they are placed on the market, but also while they are being marketed. A customer relations network has been set up 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 very stringent requirement of the LVMH Group guarantees the safety of our cosmetics, not just at the time they are placed on the market, but also while they are being marketed.
- We measure customer satisfaction at the brand level. Satisfaction measurement is not managed at the Group level. Each Maison has its own methodology to measure **customer satisfaction**. Example of Parfums Christian Dior :
  - The customer relations service for Europe area is based in Paris and operates in nine languages available on a dedicated space Dior.com by mail, live Chat, e.mail and telephone. This service is also available in China since November 2013, and in Japan since February 2015.
  - Parfums Christian Dior has a barometer for measuring customer satisfaction in key European countries. **At the end of 2016**, in Europe, requests for information represented 31 % of all clients

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approached, claims 17 % (on a variety of topics such as packaging, texture, manufacturing, etc.) and assistance on online orders 12 %. In China, inquiries accounted for 55 % of customer contacts and claims 5 %. In Japan, customers approached mainly concerned requests for information, assistance on online orders and claims, respectively 31 %, 34 % and 6 % of contacts.

- In February 2016, Parfums Christian Dior was classified, under Qualiweb Trophies, n° 1 online Customer Relationship in the Beauty & Cosmetics category.

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- o Beyond the different requirements of regulations and more particularly the REACH (Restriction, Evaluation, Authorization and Restriction of Chemicals) regulations, or similar regulations such as Proposition 65 in California, LVMH has gone further in the case of the Maisons in the Fashion & Leather Goods and Watches & Jewelry business groups by opting for a genuine **risk management policy**.

- It has drawn up a comprehensive program focused on a new internal standard, the **LVMH RSL (Restricted Substances List)**, which prohibits or restricts the inclusion of certain substances in the items brought to market, or their use by suppliers. The Group began training its teams on how to use the RSL in 2016, which will help the Maisons to adopt a continual improvement approach.
- Another in-house tool, the **LVMH Testing Program**, strengthens the audit system for the Maisons in the Fashion & Leather Goods business group: it enables them, at five partner laboratories, to test substances considered the most at risk, depending on the materials. LVMH's Environment Department has also prepared and distributed specific technical handbooks in order to help suppliers to eliminate certain substances and use alternatives.
- At the same time as these initiatives, the Group is continuing its discussions with other operators in the luxury goods sector and professional organizations in order to develop best practices.

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- **Dialogues, partnerships and communication about environment :** The Group LVMH is involved in **several dialogues and partnerships with different categories of stakeholders from civil society**. LVMH is a holding company which has over 70 luxury brands covering 5 activities (perfumes and cosmetics; wines and spirits; fashion and leather goods; watches and jewellery; selective retailing). Due to the diversified and decentralized nature of its activities, the Group has defined general principles as regards stakeholder engagement that are circulated to the management of its Brands and subsidiaries. Each LVMH brand, depending on its priorities, will determine its key stakeholders and implement its own stakeholder engagement. Each company is in charge of the management of its brand, according to its own processes, according to the Group's mission and values. Thus, each brand has its own method of brand strategic management, aimed at enhancing its financial value and reputation.

► See in this COP 2017 the **great diversity of partnerships and events** (pp. 105-115).

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[📖 See "2016 Environmental Report" (pp. 24-31) according the following categories of informations :

- professional discussions
- partnerships and research projects
- environmental corporate sponsorship
- communications.]

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

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

**Blueprint For Corporate Sustainability Leadership**

**Strategic Social Investments and Philanthropy**

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

All of the Group's environmental initiatives generate savings or revenue in the short, medium and long term. The sum of the savings generated, costs avoided and gains made, which are not monetized today as positive externalities for the 70 or so Group brands are not subject to internal consolidation. The Environmental Department nevertheless tracks and promotes the many internal best practices which represent value created from site operations and product design and manufacturing processes.

• **New corporate environmental strategic program "LIFE 2020" :** The **LIFE program** was designed in 2011 to reinforce the inclusion of environmental concerns in management processes, facilitate the development of new steering tools, and take into account the changes and enhancements resulting from Group companies' innovative practices. The LIFE program was implemented by the Steering Committee of each Group company and is based on nine key aspects of environmental performance.

**KPIs "LIFE 2020" program :** In order to further improve consistency and efficiency, **in 2016** the Group gave its companies – regardless of their sphere of activity – four shared targets

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to be achieved by 2020 (2013 being the benchmark year). [See "2016 Reference Document (p. 97) and also "Environmental Report 2016" (p. 13)] :

- sustainable product design : Group companies must make all of their products more environmentally friendly between now and 2020. LVMH's Perfumes and Cosmetics houses and Wines and Spirits houses undertake to improve their Environmental Performance Index (EPI) score by 10 % (see "Raw material consumption"). Fashion and Leather Goods houses and Watches and Jewelry houses are to define sustainable design guidelines to be applied during product development ;
- suppliers and raw materials : Group companies must ensure that optimum standards are rolled out in their procurement of raw materials supplies and among their suppliers across 70 % of the supply chain in 2020 and 100 % in 2025 ;
- cutting energy-related CO<sub>2</sub> emissions by 25%
- make all production sites and stores more environmentally friendly : Group companies undertake to reduce at least one of the following indicators – water consumption, energy consumption or waste production – by 10 % at each of its sites, and to have an effective environmental management system focused on ongoing improvement. Stores must be made 15 % more energy efficient and new stores will have to achieve a minimum performance of 50 % in the LVMH Store Guidelines score chart.

[📖 See :

- ✓ "2016 Reference Document" (p. 97)
- ✓ "Environmental report 2016" (pp. 12-13).]



• **Sustainable construction and renovation** : HQE, BBC, BREEAM and LEED :

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Most of the LVMH Group's new 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. Thanks to its sustainable construction policy, LVMH can take every environmental parameter into account and uphold all these parameters to the extent possible at each stage of its building projects: design, construction, operation, and renovation. Over the past ten years about 30 “eco-friendly” buildings have been constructed by the Group.

- For instance, the “La Ruche” (The Hive) factory opened by Guerlain at Chartres in 2014 is HQE® certified at the excellent level.
- Louis Vuitton’s leather goods workshop in San Dimas, in Southern California, has been awarded LEED® certification at the Silver Level.
- Meanwhile, Berluti recently commissioned a manufacturing workshop with a surface area of more than 8,000 m<sup>2</sup> in Italy which has been fitted with a natural more than 8,000 m<sup>2</sup> in Italy which has been fitted with a natural ventilation system, a lighting system that maximizes the use of daylight and an electrical power supply fed by solar panels.
- Some of those buildings were seminal thanks to their pioneering characteristics. This was the case of EOLE: this platform, opened by the Louis Vuitton Maison in Cergy-Pontoise in 2007, was the first warehouse in France built following an HQE® approach as part of a pilot project, and was then the first warehouse in Europe to be awarded the US LEED® EDOM certification at the Gold level in 2015.
- Sephora provided a further illustration of the LVMH Group’s pioneering spirit where environmentally-friendly buildings are concerned in 2016: its La Canopée Store, opened in the Forum des Halles in Paris, was awarded BREEAM® certification at the Excellent Level. The Maison is the first business in its sector to achieve this level of performance in France. La Canopée is also the first Sephora store to be awarded BREEAM® certification in the Europe region.
- Other exemplary projects are in preparation within the LVMH Group. For instance, the Champagne Maisons launched two major projects in 2016 : the extension of the Mont-Aigu site, where a 240,000-hectoliter winery will be built, and Comète, the future Veuve Cliquot development site. These projects are both pilot HQE® operations and will be subject to certification. They have both already been assessed as meeting the Exceptional HQE level by Certivéa.

**The impact of high-profile projects : the example of the Louis Vuitton Foundation.**

As a reminder, the Louis Vuitton Foundation officially opened its doors to the public on Monday 27 October 2014. The building housing it, designed at Bernard Arnault’s instigation by the American architect Frank Gehry, is an outstanding venue for French and international contemporary artistic creativity and the influence of the French capital. Truly a “cloud of glass”, the Foundation stands in the Jardin d’Acclimatation, in the northern part of the Bois de Boulogne, Paris. The aim of the Louis Vuitton Foundation is to support and promote contemporary artistic creation in Paris and internationally. Its collection and exhibition schedule are in line with the historical artistic and creative movements of the 20th and 21st centuries. The Louis Vuitton Foundation building includes galleries holding permanent exhibitions, temporary exhibitions and art orders. The last feature is a 350-seat (but variable) auditorium designed to host events in a range of fields. As part of its opening art programme, the Louis Vuitton Foundation presented an exhibition on Frank Gehry’s architectural plans for the Foundation. The exhibition was thus linked to the first European retrospective mounted by the Pompidou Centre on Frank Gehry’s work from October 2014.

[📖 See “Environmental Report 2016” : “A Sustainable Construction Policy” (pp. 22-23).]

- Among many examples or case studies about cost-saving or revenue generation in **energy, water and waste** :

- The in-house **carbon fund** is a new tool helping to reduce greenhouse gas emissions by 25%. This innovative initiative in the luxury goods sector is based on the idea that assigning a price to carbon, by valuing the cost of business activities that emit greenhouse gases, may encourage a change in behavior. Carbon contributions are calculated in proportion to the greenhouse gas emissions generated by their activities, and more specifically to the energy consumption of the production sites and the stores; the Maisons are then responsible for releasing an investment amount that is at least equal to the contribution. This provides a Maisons with an “additional right to invest” in projects that reduce emissions. The price of a metric ton of greenhouse gas, which may be reviewed every year, was set at €15 in 2016. It was decided that the amounts invested would be dedicated to financing three kinds of projects: investments in equipment that enables a reduction in energy consumption, studies aimed at improving the understanding and monitoring of energy consumption, and investments in the production of renewable energy.

The bet was successful since, one year later, eligible projects amounting to EUR 6.7 million were selected, instead of the EUR 5 million initially planned. The Maisons were heavily involved and contacted the fund to finance **28 projects**, 70% of which relate to the stores. The projects were selected on the basis of five criteria: the carbon impact (what do the CO<sub>2</sub> emissions avoided represent compared with the site’s emissions ?), the carbon-efficiency of the investment (what is the amount invested in order to avoid the emission of one metric ton of CO<sub>2</sub> ?), the trigger effect (is the project feasible without financing from the fund ?), the exemplarity of the project (does it provide a strong sign of the Maison’s commitment ?) and its innovative nature (does it rely on new technology, or does it represent a pilot project within the Group ?). LVMH’s in-house carbon fund proved its effectiveness as from its first year of implementation and encouraged the Maisons to involve themselves in new initiatives.

- **100% of the electricity** consumed at manufacturing sites and head offices of Parfums Christian Dior in France comes **from renewable sources**. In terms of CO<sub>2</sub> impact, this represents a 90% reduction on an equivalent consumption basis. At our production site in Saint-Jean-de-Braye alone, this represents savings equivalent to travelling around the world 300 times by air.
- Moët & Chandon **has invested EUR 150 million** in building a particularly environmentally friendly wine-production center and winery in Oiry, in the Department of the Marne. The Mont-Aigu project was the subject of an HQE® (High Environmental It enables **energy savings of 76%** to be achieved for air conditioning and heating, and water consumption to be **reduced by 30%** throughout its life cycle.
- LVMH relies on the LVMH Lighting program in order to optimize its energy consumption. This program was introduced in order to develop the use of new lighting technologies within the Group, and particularly of the LED technology, which **reduces electricity consumption by 30% on average**, avoids a considerable amount of maintenance and provides high-quality and reliable light. [📖 See “Environmental report 2016” (p. 48)]
- The benefits of eco-design are tangible: for instance, by eliminating the external packaging and altering the materials for its new face mask launched in 2016, Sephora **avoided emitting 51 metric tons of CO<sub>2</sub> into the atmosphere**.
- The new Polish warehouse of Sephora which opened in 2016, now separates the packaging of the advertising materials it uses in the stores, which are then repackaged on a store-by-store basis. This process enables the number of pallets transported to the boutiques to be reduced by a factor of two, resulting in 30% fewer trucks on the roads.
- The Maisons are increasingly prioritizing **electric transport for short distances**. This is the case of Guerlain for instance, which has been supplying its Paris stores via a zero-emission road route since 2014, in partnership with Speed Distribution Logistique and Renault Trucks: these city rounds regularly cover over 200 kilometers in fully electric 16-metric-ton trucks. This initiative – a world first – enables the Maison to avoid emitting 7 metric tons of CO<sub>2</sub> into the atmosphere every year.

- For instance, Edibox (the software for calculating the Environmental Performance Index or “EPI”) is currently being adopted by Bvlgari has used the Index for 242 products. The Maison has also relied on these assessments in order to roll out a policy aimed at reducing the environmental footprint of the packaging for its perfumes, watches and jewelry. It is limiting the amount of packaging and reducing its size: it thus **saved 48 metric tons of paper and cardboard** used in the packaging for its 50 ml and 100 ml *Aqua Amara* bottles in 2016. It is also reducing the use of plastic, while increasing the use of paper and cardboard that are FSC-certified, i.e. that come from sustainably managed forests. **By the end of 2019, these should account for 75% of its paper and cardboard purchases.**
- Sephora has set up a working group on the life cycle of products in the United States. First, the Maison quantified the environmental impact of its Sephora Collection *Rouge Cream Lipstick Rouge* lipstick range. Then it assessed the results, again relying on experts, in order to identify avenues for improvement. **Thanks to this study, Sephora US knows that it must focus its efforts on the ingredients used in manufacturing its lipsticks, and on their packaging and sale as a priority.**
- Guerlain has already **saved 35 metric tons of cardboard every year**, thanks to eco-design, by redesigning its perfume boxes in order to reduce their size by 15%. Its shopping bags are now entirely recyclable, while all its pouches are FSC-certified, and its Bee bottles can be refilled indefinitely, thanks to the perfume fountains installed in its boutiques.
- Guerlain is also very proud of the development of its new cream, *Orchidée Impériale*, which was launched in 2017. The size of the pot was also adjusted to its contents, and its **weight was decreased by 60%**. Meanwhile, the size of the box was reduced by 40%, and it was made 100% recyclable. These efforts enabled the Maison to decrease the project’s carbon footprint by 58% on an overall basis.
- Reducing and recovering waste is another working priority for LVMH, which is increasingly focusing on the circular economy. **In 2016, 86% of the 80,787 metric tons** of waste generated by its business activities were recycled, recovered as energy or re-used.

#### **☑ Leadership review of monitoring and improvement results :**

- The main challenges of each business group are managed by the strategic “LIFE 2020” program (LVMH Indicators for Environment) structured around nine key aspects of environmental performance under the control of the **Executive Committee**.
- Each year, the reporting on corporate sustainability and particularly “environment” is approved by the **Board of Directors**.
- At its meeting of April 14, 2016, the Board of Directors decided to establish an **Ethical and Sustainable Development Committee**. The Committee met once during the year, with two of its members in attendance. During this meeting, the Director of Environmental Affairs presented an overview of the Group’s activities in relation to the environment, covering in particular the manner in which strategic issues are being taken into account, recent achievements, sources of innovation, and the safeguarding of raw materials and assets. 2016-17
- Environmental Department, which was set up in 1992, reports directly to a member of the Executive Committee, namely **Antonio Belloni, the Group’s Chief Executive Officer**.
- Even before rolling out the “LIFE 2020” program, and as early as 1998, LVMH therefore designed a reporting tool that covers the main issues relating to the environment.
  - The **Group companies** can use the tool’s questionnaires to monitor and steer their own indicators, while every company is free to adjust them in accordance with its environmental impact, and the frequency of the measurements gathered.
  - The data gathered are checked by the **Statutory Auditors**, and supplemented by audits, which have been consolidated in LVMH’s management report since 2004.

- They may also be disclosed, upon request, to **stakeholders** such as environmental and social rating agencies, shareholders, investors and customers.

### **☑ Process to deal with incidents :**

▶ See in this COP 2017 “☑ Environmental risk and impact assessments” (pp. 71-75).

### • **Environmental protection policies and methods :**

[📖 See :

- ✓ “2016 Environmental Report” :
  - “The framework for action” (pp. 7-17)
  - “Managed risks” (pp. 20-21)
  - “Certification Processes” (pp. 21-22)
  - “A sustainable construction policy” (pp. 22-23)
- ✓ “2016 Reference Document” :
  - “2.1.10. Industrial, environmental and meteorological risks” (p. 38)
  - “1. General environmental policy” (pp. 97-98)
  - “1.3. Preventing environmental risks and pollution” (p. 98).]

### • **Product Safety and Customer Health :**

[📖 See :

- ✓ “Ensuring the traceability and compliance of materials and products” in “2016 Environmental Report” (pp. 42-43)
- ✓ “6. Consumer health and safety” in “2016 Reference Document” (pp. 106-107).]

- **No incidents to report in 2016.** The amount of EUR 13 million as of December 31, 2016 (EUR 13 million indicated for 2015) corresponds to the financial guarantees required by law for Seveso upper-tier establishments. [📖 See “2016 Reference Document” (p. 98)]

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

#### • **Auditing/monitoring the suppliers :**

▶ See in this COP 2017 “Criterion 2 : The COP describes value chain implementation” (pp. 10-29).

[📖 See :

- ✓ “Supplier relations” in “2016 Reference Document” (pp. 89-91)
- ✓ “The LVMH Supply Chain” in “2016 Annual Report” (p. 41).]

#### • **Examples of collaboration/information with suppliers :**

▶ See also in this COP 2017 “Support of suppliers” (pp. 26-29).

**☑ Outcomes of integration of the environmental principles :**

- **No incidents** to report in the recent years.
- The amount of EUR 13 million as of December 31, 2015 (EUR 13 million indicated for 2014) corresponds to the financial guarantees required by law for Seveso upper-tier establishments. [📖 See “2016 Reference Document” (p. 98)]
- **LVMH is assessed** on its environmental policy by its external stakeholders. The Group **is included in the main indices based on responsible investment criteria**, i.e., FTSE4Good Global 100, Euronext Vigo Eurozone 120 and ESI (Ethibel Sustainability Indices) Europe. The Group was also awarded a 56.3/100 score by the French Corporate Information Center (CFIE), which conducts an annual survey on employment and environment-related information in companies’ annual reports.



## ***Robust Anti-Corruption Management Policies & Procedures***

### **Criterion 12 : The COP describes robust *commitments, strategies or policies* in the area of anti-corruption:**

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

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

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

• One of the six principles of the **LVMH Code of Conduct** ("Implementing and promoting a responsible approach") includes the **purpose to fight against corruption**. The anti-corruption and bribery policy covers the following aspects :

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

« *Fighting against corruption: LVMH prohibits any form of corruption. Any payment must reflect a service and legitimate price as described in the contracts and agreements. LVMH only authorises gifts and invitations in the usual social and commercial situations. LVMH is committed to operating independently in public life. LVMH prohibits the payment of money to political parties, trade unions or cultural organisations in an attempt to promote a particular interest or obtain or maintain an advantage.* » [📖 See "LVMH Code of Conduct" (p. 13).]

This Code has been adopted at the Board meeting following the AGM on May 14th 2009 and distributed since May 2009 to all Group employees.

- The specific policy regarding "**transparency and integrity of influence strategies and practices**" is taken into account by the "LVMH Code of Conduct" (preamble and §4 "preventing conflicts of interest"): « *As actors in economic and social life, we are called to the highest standards of integrity, respect and engagement in our behaviours, every day, everywhere. (...) All employees can find themselves confronted with situations in which their personal interest or that of private individuals or corporations with whom they are linked or close to, can come into conflict with the interests of the Group. Employees must, when taking stakes in other companies and in their activities outside the Group, do everything possible to avoid finding themselves in situations of conflicting interests with LVMH or any other linked company. In this matter, it will be the employee's responsibility to determine a course of action in all honesty and taking into account their duty of loyalty towards LVMH and if in doubt to consult their line manager. The employee must notify all conflicts of interest in writing.* » In particular, the Group recommends and oversees the implementation of codes of conduct, supplier charters, formalized procedures for declaring and monitoring conflicts of interest, and the implementation of delegation matrices that outline the responsibilities and powers of each employee.

- As has been done for fair competition practices, concrete measures and charters have been put in place on the subject of preventing corruption which are specially worded for the Group as a whole, business groups, companies and regions.

In this regard, and following, in particular, the introduction in 2015 of a Charter applicable to all entities operating in China, in 2016 the Group further stepped up its efforts to identify and safeguard against risks, and to train and raise awareness among employees. The review of the Group's Code of Conduct takes account of changes relating to the implementation of these different policies.

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The system in place to prevent any infringement of **money laundering** rules was also enhanced in 2016.

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- At the initiative of the Chairman and Executive Management, a working group, bringing together the relevant departments of the holding company, was formed in 2016. **The aim of this working group is to anticipate future legal and regulatory developments and to establish ever more stringent ethical and governance standards for the Group.** Its first task was to submit to the Executive Committee a **proposal to revise the Code of Conduct** that would define unacceptable behavior and corresponding sanctions and, if necessary, put **in place whistle-blowing alert procedures**. The working group's leaders will in future play a central role in the definition, rollout, adoption, supervision and control of systems designed to ensure that all Group activities are standards-compliant.

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- All the Group's brands have adopted and implemented the **Supplier's Code of Conduct** (deployed in March 2008 and implemented at all Brands and subsidiaries by the end of 2008) which lays down the Group's guidelines for Social Responsibility and the fight against corruption. Any collaboration with a partner requires their commitment to all the ethical principles in this code. [📖 See "Working methods" in Supplier's Code of Conduct (p. 2) : « *Anti-Corruption: Our suppliers shall agree to condemn and act against corruption in all its forms, including extortion and kickbacks.* »]

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

## **Criterion 13 : The COP describes effective *management systems* to integrate the anti-corruption principle:**

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

- ▶ See in this COP 2017 the LVMH commitments at the highest level : "Criterion 1 : The COP describes mainstreaming into corporate functions and business units", (pp. 6-10) and "Criterion 19 : The COP describes CEO commitment and leadership" (p. 116).
- ▶ See in this COP 2017 the management of risks : "Criterion 2 : The COP describes value chain implementation" (pp. 10-29).

**Criterion 14 : The COP describes effective *monitoring and evaluation mechanisms* for the integration of anti-corruption:**

**Process to deal with incidents (D13):**

▶ See in this COP 2017 the “Criterion 2 : The COP describes value chain implementation” (pp. 10-29).

**Public legal cases regarding corruption (D14):**

No incidents to report.

## Taking Action in Support of Broader UN Goals and Issues

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

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

► See in this COP 2017 the “Criterion 9 : The COP describes robust *commitments, strategies or policies* in the area of environmental stewardship” (pp. 59-70).

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#### Core Business Contributions to UN Goals and Issues:

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

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

#### • Increasing the employment of people with disabilities :

- As regards training, in 2014 LVMH launched “**EXCELLhanCE**”, which benefits from support from AGEFIPH in the form of a partnership agreement. “EXCELLhanCE” enables people with disabilities to simultaneously obtain a degree, significant experience at the LVMH group’s companies and expertise specific to the luxury industry. It is based on intensive work-linked training programs, lasting 12 to 24 months, in three professional fields: sales, logistics and human resource management. Candidates are selected using the *Handi-Talents* process, based on work-related simulation exercises. These innovative recruitment sessions make the hiring process more objective and serve to identify abilities and skills that can be transferred to the professional sphere.

The first intake of sales advisors and inventory managers was in 2014, resulting in 64% of participants obtaining a vocational qualification in logistics or a BTS

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technical qualification in Management of Commercial Units in 2016. In total, 74% of participants then continued to work for the Group on a fixed-term or permanent contract or continued with their studies. The second intake was in fall 2016. Spanning 10 Group companies, it has allowed 13 people with disabilities to enter employment under work-and-training contracts, most of them retraining in a new profession, still in the roles of sales advisor, inventory manager and human resources assistant.

- In March 2011, Moët & Chandon founded **MHEA**, a company that offers facilities adapted to employees with disabilities. A fully autonomous entity, MHEA maintains a disabled employment rate of 100% and provides the best possible working conditions for employees affected by disabilities, without any change in the terms of their compensation.

In early **June 2016**, Moët Hennessy Entreprise Adaptée (MHEA) celebrated its fifth anniversary. This entity helps avoid breaks in employment contracts for

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incapacity by supporting employees facing difficulties in their jobs. The company has also enabled the recruitment of several jobseekers with disabilities, working in cooperation with local structures such as the CAP Emploi and Pôle Emploi public agencies. Five years after its official launch by Christophe Navarre, President of Moët Hennessy, Chantal Gaemperle, Human Resources & Synergy Director at LVMH, and Marie-Anne Montchamp, Secretary of State at the Ministry of Solidarity and Social Cohesion, Moët Hennessy Entreprise Adaptée has established a particularly strong track record.

- “**Sheltered**” employment : LVMH also encourages use of the supported employment sector in France, the figures from which can be used in calculating the overall proportion of employees with disabilities. The supported employment sector enables a person with a serious disability, whether permanent or temporary, to work in an appropriately adapted environment.

- At Group level in France, services outsourced to the supported employment sector were worth **EUR 6.6 million in 2016** corresponding to 312 jobs, i.e. an increase by **+ 6.5% in 2016** compared to 2015.
- On November 7, 2012 the Group organized its first exhibition on Disabilities and Responsible Procurement as part of its approach to responsible decision-making in procurement. This exhibition showcased various organizations specializing in disability employment as well as the sponsorships run by Hennessy, Moët & Chandon, Guerlain, Louis Vuitton, Make Up For Ever and Parfums Christian Dior. The event was attended by about 170 managers from all Group companies.

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On March 14, 2016, the first **Disability & Responsible Purchasing trade fair** was held at the Palais des Congrès in Paris. This innovative event – which was initiated by LVMH and organized by Groupe Les Echos in partnership with the Société Générale group and EY – aims to bring together businesses and stakeholders supporting working people with disabilities, and raise awareness of disability-related issues in the workplace. As the first trade fair dedicated to direct employment and responsible purchasing favoring people with disabilities, the Disability & Responsible Purchasing trade fair was a groundbreaking event putting potential buyers in contact with suppliers from sheltered and disability-friendly sectors. In order to encourage the sharing of best practices and advice, a program of over 25 workshops and plenary conferences was provided covering three themes: awareness, responsible purchasing and direct employment. This first event was a great success, with more than 1,500 visitors coming to meet some 70 exhibitors. Toni Belloni, LVMH’s Group Managing Director, and Chantal Gaemperle, the Group’s Director of Human Resources and Synergies, took part in the event alongside Marie-Anne Montchamp, former French Secretary of State with responsibility for people with disabilities; Séverin Cabannes, Deputy CEO of the Société Générale group; and Jean-Pierre Letartre, Managing Partner of EY France.

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As a result of these efforts, the Group increased the proportion of its employees with disabilities in France to **4.9 %** according to official standards (sum of direct and indirect proportions) at the end of 2016. Internationally, as the situation is dependent on local legislation, the proportion of staff with disabilities stands at **1 %**.

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Number and % of disabled persons		2010	2011	2012	2013	2014	2015	2016
France	<i>total headcount</i>	507	543	572	623	620	705	<b>819</b>
	<i>global employment rate</i>	3.57 %	3.72 %	4.1 %	4.1 %	4.1 %	4.5 %	<b>4.9 %</b>
Group	<i>total headcount</i>	775	824	928	979	1034	1 130	<b>1 241</b>
	<i>global employment rate</i>	0.93 %	0.84 %	0.87%	0.85 %	0.85 %	1 %	<b>1 %</b>

The share of disabled employees in the total workforce in France has largely increase over the period 2009-2016 from 3.20% to 4.9 % (i.e. by + 53.1%) (French AGEFIPH standards).

• **Involvement of women :**

Through its **EllesVMH program**, a coaching program specifically designed for future female executives was launched with success in 2007. The EllesVMH initiative is aimed at supporting the career development of talented women and helping them achieve their full potential at the LVMH group.



**In 2016**, corporate initiatives rallied more than **900 people** (women and men) around this issue.

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Building on this success, the Group capitalized on the enthusiasm stirred up by the initiative to organize “**EllesVMH Connect**”, a completely new worldwide digital event, in November 2016. The initial launch event, held on September 23 and backed by a global digital campaign, featured workshops where women and men worked together on the issue of equality. Nearly 300 discussion groups in 22 countries got to share their ideas on how become more aware of and correct gender-related behaviors that can hold back women’s careers, and could post these ideas on the “EllesVMH Connect” platform. Each Group company ambassador was asked to put together a six-person, gender-balanced discussion group, which was invited to connect to an online platform on September 23, 2016. Participants could complete a workshop led by Joan Williams, Professor of Law at the University of California and Founding Director of the Center for WorkLife Law in San Francisco, who presented the results of her research on women and leadership, including four types of behavioral biases that hamper women’s career advancement at companies. After watching the videos, participants were invited to share their ideas on how to look out for and correct these detrimental behaviors, by posting them on the “EllesVMH Connect” platform. The in-house initiative was a major success, so the event was extended and replicated at Group companies. **To date, just over 2,000 employees have attended the workshop at around 43 Group companies.** The next step will be to analyze all the contributions made by EllesVMH Connect participants and use them to improve EllesVMH’s long-term strategy, a key goal of which is to have women make up 50% of Group companies’ management committees by 2020. Some countries such as Japan used the opportunity to re-activate local networks. In other countries, it provided an opportunity to create new communities, such as in Australia, Africa (South Africa and Nigeria) and Latin America (Brazil, Mexico and Argentina). Participants’ contributions have helped develop the EllesVMH strategy.

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- **Employment and regional development** : LVMH applies a policy of employment conservation and development. Thanks to the sustained development of its brands, many commercial jobs have been created in every country where the Group is present, especially as part of the extension of the self-managed store network. “Net permanent job” creation consequently amounts to **9,130 people of which 8,692 on permanent contracts in 2016 around the world, i.e. a very sharp increase of 136% relative to 2015.** [📖 See “Jobs and regional development” in “2016 Social Responsibility Report” (pp. 61-67)]
  - See many examples from the heart of Paris, the capital of France and the Ile-de-France region, through Cosmetic Valley, in Vendée (Pays de la Loire region), in Grasse region, in Italy, etc...
  - See many initiatives in knowledge transfer process : School of leather goods established by Louis Vuitton, *Académie du Savoir-Faire* (Berluti), Moët Hennessy Asia Pacific sales school, Loewe’s leather crafts training center, ... [📖 See “2016 Social Responsibility Report” (pp. 31-34)]
  - As a signatory of the **Apprenticeship Charter**, the Group devotes considerable efforts to the development of apprenticeship opportunities, which facilitate young people’s access to qualifications. As of December 31, 2016, there were more than **1 179 young people** working under apprenticeship or professionalization contracts in all of the Group’s French companies.
  - In 2014, the LVMH group created the **Institut des Métiers d’Excellence (IME)**, a work-linked training program. The year 2016 saw the second IME class graduate, and the results testify to the program’s success: of the 64 apprentices who took the exam in 2016, all were successful – for the second year running; 82% were employed, taken on under an apprenticeship contract or are continuing their studies, and 26 apprentices received a professional distinction. In 2016, 120 apprenticeship contracts were awarded in Group companies. Around 200 apprentices have received training through IME and its partner schools since 2014, with a graduate placement rate of 90% at the end of 2016. [📖 See “2016 Social Responsibility Report” (pp. 31-32)]
  - **Decentralized Group company initiatives** : To further anticipate their requirements and smooth the knowledge transfer process, some Group companies have created their own training structures to

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meet ever more specific challenges. One development in 2016 was the opening of the Manufacture Bvlgari top-end watchmaking center. Spread across four sites in the heart of the Jura region in Switzerland, Manufacture Bvlgari centralizes every stage of the creation of the highest-precision watch parts. All the components, from mechanisms to casings to metal straps to high-end dials, are produced in-house. At the center, some 350 employees work with skill and accuracy on every stage of production from initial design and development right through to the final quality controls. A large number of professions are united at the center, associating traditional skills and cutting-edge technology. In the Meyrin district of Geneva, La Fabrique du Temps is a new-generation watchmaking facility where Louis Vuitton gives the creativity of its employees a truly free rein. All the professions and professionals of the traditional art of watchmaking work side by side at the facility, driving innovation and experience sharing.

[📖 See “2016 Social Responsibility Report” (pp. 31-34) : **School of leather goods established by Louis Vuitton, Académie du Savoir-Faire (Berluti), Moët Hennessy Asia Pacific sales school, Loewe’s leather crafts training center, ...]**

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

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#### Strategic Social Investments and Philanthropy:

- ☑ Pursue social investments and philanthropic contributions that tie in with the core competencies or operating context of the company as an integrated part of its sustainability strategy:
- ☑ Coordinate efforts with other organizations and initiatives to amplify—and not negate or unnecessarily duplicate—the efforts of other contributors:
- ☑ Take responsibility for the intentional and unintentional effects of funding and have due regard for local customs, traditions, religions, and priorities of pertinent individuals and groups:

The breakdown of philanthropic activities by country and activity is not detailed and disclosed in LVMH Reports :

Type of Contribution	Amount (thousand of euros)				
	2012	2013	2014	2015	2016
Cash contributions	83 567	89 482	122 891	103 622	<b>121 512</b>
Time : employee volunteering during paid working hours	690	170	185	143	<b>210</b>
In-kind giving: product or services donations, projects/partnerships or similar	520	673	661	1 189	<b>1 159</b>
<b>Gross total</b>				105 055	<b>122 881</b>
Fiscal impact				50 979	57 078
<b>Net Total</b>				54 075	<b>65 803</b>

The LVMH Reports (as reminded above) present different initiatives which can be valued in the field of philanthropic activities. The LVMH best practices for the year 2016 are presented according to the following typology :

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### 1. Culture, Heritage and Contemporary Design :

- The first component of the LVMH **corporate sponsorship program** focuses on preserving artistic heritage in France and worldwide through the restoration of historic monuments, the expansion of the collections of leading museums, our contribution to major national exhibits and our support of the work of contemporary artists.
  - 2014 was highlighted by the opening of the **Fondation Louis Vuitton** on Monday, October 20, 2014, by French President François Hollande. The building housing it, designed at Bernard Arnault’s request by the American architect Frank Gehry, is an outstanding venue for French and international

contemporary artistic creativity and the influence of the French capital. Since its inauguration in October 2014, the Fondation has hosted more than 2.5 million visitors.

- In the spring of 2016, the Fondation’s program focused on **“The Observatory of Light”, a work in situ by Daniel Buren**. The French artist covered each of the building’s twelve glass sails in checkerboards of thirteen different colors. This work upends our perception of light as the hours go by and the seasons change, and interacts with Frank Gehry’s architecture in a spectacular and unprecedented way.
  - In the fall, the Fondation presented **“Icons of Modern Art. The Shchukin Collection. Hermitage Museum – Pushkin Museum”**. This exhibition pays tribute to Sergei Shchukin, one of the greatest art patrons of the 20th century and a visionary collector of French modern art, by bringing together 130 masterpieces by Monet, Matisse, Picasso, Gauguin, Cézanne, Le Douanier Rousseau, Derain, and others, loaned by the Pushkin Museum in Moscow and the Hermitage Museum in Saint-Petersburg. The exhibition, which was inaugurated on October 20, 2016, has been unanimously acclaimed as a major artistic event both in France and abroad. It has been remarkably successful, appealing to French and foreign visitors alike. When it closed on March 5, 2017, the “Shchukin” exhibition had welcomed over 1.2 million visitors, setting a record for an art exhibition in France.
  - In the spring of 2017, starting on April 26, the **exhibition “Art/Afrique, Le nouvel atelier”** (Art/Africa, The New Studio) provided an overview of contemporary African artistic creation, from sub-Saharan Africa to South Africa. It has been organized into three themes: “Les Initiés” (The Initiated), selected works from Jean Pigozzi’s collection of African art; “Être là” (Being There), South Africa, a contemporary art scene; and “Africa in the Fondation Louis Vuitton Collection”.
  - As well as the exhibitions, the Fondation Louis Vuitton offers a year-round program of musical excellence with master classes, concerts and recitals by talented young musicians.
- Alongside the key partnerships forged with schools and universities, the LVMH group aims to encourage and develop the talent of the next generation of designers. With this in mind, in 2014 LVMH created a benchmark award : the **LVMH Prize for Young Fashion Designers**. Following in the footsteps of Thomas Tait in 2014 and Marques Almeida in 2015, and after a thousand applications had been whittled down to a final selection of 23 designers, the jury awarded the **third edition on June 16, 2016** of the prize to Grace Wales Bonner for her menswear brand Wales Bonner. She was awarded EUR 300,000 and a year’s mentoring from an LVMH team. Given the extremely high level of the competition, the jury decided to award a special prize to Vejas Kruszewski for his ready-to-wear label Vejas. The special prize winner received EUR 150,000 and will also receive a year’s mentoring. the trophy for the Prize designed by artist Jean-Michel Othoniel was presented to Grace Wales Bonner by acclaimed French actress Léa Seydoux.
- LVMH’s primary sponsorship focus is **artistic heritage in France and around the world**: restoring historical monuments, enriching the collections of major museums, contributing to high-profile national exhibits and supporting the work of contemporary artists.
- In 2016, LVMH and Christian Dior sponsored **Olafur Eliasson’s designs** at the **Château de Versailles**. This allowed a very large number of people to witness the interaction between one of the world’s greatest contemporary artists and one of the most emblematic settings of French art and culture.
  - LVMH also remains committed to supporting contemporary design and continued to sponsor two signature arts events. First, in the spring, it supported **Monumenta**, an exhibit in Paris’ Grand Palais, and the work by Huang Yong Ping. Then, in the fall, it sponsored **Nuit Blanche**, the all-night Paris arts festival, with specific patronage of Lebanese composer Zad Moultaka’s performance “La Montée des ombres” (The rise of the shadows).
  - To promote the protection of our universal heritage and encourage awareness, at the end of 2016, LVMH also joined forces with Réunion des Musées Nationaux – the Grand Palais and

the Louvre Museum, under the patronage of UNESCO, to sponsor the **exhibition “Eternal Sites. From Bamiyan to Palmyra”**. LVMH also continued supporting the Odéon Théâtre de l’Europe in 2016, with its production of “Phaedra(s)”, starring Isabelle Huppert; and again in 2017, with Colm Toibin’s “The Testament of Mary” directed by Deborah Warner and starring Dominique Blanc.

- LVMH also renewed its support for the **Odéon-Théâtre de l’Europe** in Paris to create “Phaedra(s)” starring Isabelle Huppert.

- **Initiatives for young people:** Primary and secondary school pupils as well as art students participate in educational programs designed and started by the Group to enable them to take advantage of the richest possible cultural experiences, particularly in the visual arts and music.

- LVMH’s initiatives to support education and young people include designing and initiating educational programs that bring the best of artistic culture to elementary, junior high school and art school students. In 2016, LVMH renewed its sponsorship of the **International Music Academy** founded in Switzerland by conductor Seiji Ozawa, continued its **“1,000 seats for young people”** initiative which over the past 15 years has enabled young musicians at the Paris Conservatory to attend key concerts of the Paris season, and continued to lend from its Stradivarius collection.
- Lastly, year after year, LVMH continued to **loan the Stradivarius instruments** from the LVMH collection to young virtuosos.

## 2. Health and Research :

- For the last 20 years, in France and around the world, our Group has supported **numerous institutions recognized for their work for children**, particularly the Paris Hospitals Foundation (Fondation Hôpitaux de Paris – Hôpitaux de France), the Le Pont-Neuf association, Save the Children in Japan, the Robin Hood Foundation in New York, and the Claude Pompidou Foundation, which helps elderly and disabled people, and for which a gala benefit evening was held at the Fondation Louis Vuitton in December 2014. LVMH has also chosen to support several foundations and research teams engaged in cutting-edge public health research. In **2016**, in particular, LVMH sponsors the **Institut de la Vision** for the design and implementation of an innovative research program into vision and access to art for the visually impaired, developed in close collaboration with the **Musée d’Orsay**.

- **The 2016 Dîner des Maisons engagées (Committed Companies Dinner)** : The fourth Committed Companies Dinner, celebrating the workforce-related and social commitments of the LVMH group’s various companies, was held on Wednesday, December 7, 2016. This year, the dinner, attended by Group Managing Director Antonio Belloni and the Group’s Director of Human Resources and Synergies Chantal Gaemperle, brought together almost 400 participants, 17 Group company Presidents and three Executive Committee members, as well as numerous partners, opinion leaders and heads of NGOs and other organizations. Personalities from all backgrounds were in attendance, including Flora Coquerel (Miss France 2014), Laurence Ferrari (journalist) and Estelle Mossely (Olympic boxing champion). The event raised EUR 190,000. The sum of EUR 100,000 was donated to the outstanding team at the **Robert-Debré pediatric hospital in Paris**, which provides day-to-day support to children with **sickle cell anemia**. Affecting more than 5 million people worldwide, and EUR 250,000 newborn babies a year, this is the most widespread genetic disease in the world. More than EUR 500,000 has been donated to the hospital since 2011.

- In France, Guerlain and Parfums Christian Dior supported **Movember**, an international charity raising funds to tackle men’s health issues. As in 2015, Guerlain was the leading contributor to Movember France with its “La Moustache de Messieurs” team of employees led by Thierry Wasser, the company’s in-house perfumer. This year, Guerlain also offered its clients male grooming in its electric “Barber Truck,” with the funds raised donated to Movember France. Numerous internal operations were organized by employees throughout the month of November.

- Around the world, various Group companies are involved in supporting **medical research into AIDS**. For example, Bvlgari supports a range of humanitarian initiatives, including the **Elton John AIDS Foundation** (EJAF) and the international American Foundation for **AIDS Research** (AmfAR). Fresh has joined forces with the **RED international** non-profit to raise funds to tackle AIDS in Africa. The company has launched its SUGA(RED) Lip Treatment Sunscreen SPF 15 with 25% of the selling price donated to RED, which used the funds to guarantee over two weeks' supply of medicines in Sub-Saharan Africa. In addition, a raffle was held among Fresh companies to raise additional funds for RED. A partnership with the Bill and Melinda Gates Foundation raised \$4,000 for RED. Hublot, meanwhile, supports Born Free Africa, which aims to tackle mother-to-child transmission of AIDS, while Kenzo provides financial support to **Sidaction**, the **Telethon** and **Designers Against AIDS**.

### **3. Impact of the business on local communities in terms of employment, regional development and awareness of its activities :**

- LVMH is committed to **maintaining and creating jobs**. Thanks to the strong, consistent growth achieved by its brands, many sales positions are created in all countries where the Group is present, particularly as a result of the expansion of the brands' retail networks. Net permanent job creation consequently amounts to more than 4,000 employees. [📖 See "9.3." in "2016 Reference Document", p. 91 and "2016 Social Responsibility Report" pp. 61-69.]

▶ See in this COP 2017 "Employment and regional development" (pp. 90-91).

▶ See in this COP 2017 "Support of suppliers" (pp. 26-29).

- To underscore its attachment to Paris, **LVMH is supporting the city's bid to host the 2024 Olympic Games**. On May 30, 2016, the Paris 2024 Committee launched the "**Paris 2024 Partners Circle**" in the presence of the founder members of the bid: Denis Masseglia, Chairman of CNOSF, Emmanuelle Assmann, Chair of CPSF, Thierry Braillard, Minister for Sport, Valérie Pécresse, President of the Ile-de-France Regional Council, and Anne Hidalgo, Mayor of Paris. Before the meeting, it was announced that LVMH had become the twelfth Official Partner. Kenzo will dress the Paris 2024 delegation, which will present Paris's bid to host the 2024 Olympic and Paralympic Games. The fashion house worked with the delegation for the first time in Rio.

- At its meeting on September 26, 2016, the Council of Paris voted by a very large majority to award the **Jardin d'Acclimatation amusement park** concession to a consortium in which LVMH has an 80% share and Compagnie des Alpes has the remaining 20%; LVMH has managed the park since 1984 and Compagnie des Alpes is a major player in the development and management of theme parks. The new concession has been awarded for 25 years and is based on a particularly ambitious set of proposals. The Jardin d'Acclimatation will make a full contribution to enhancing the attractiveness of Paris and the wider region. With a goal of 2.5 million visitors a year, the park will contribute to the influence of the city, both among Parisians and tourists, who it will be making more effort to cater for.

### **4. Employment and social inclusion :**

- **Boosting employment and employability** : The same focus on excellence behind our Group companies' success is what drives our efforts to provide educational opportunities for young people. Group companies have developed numerous partnerships with schools, most of which are located near their sites.

- Louis Vuitton, for example, has set up partnership arrangements between its production facilities in the French departments of Ardèche and Drôme and local schools to provide vocational training that leads to a **CAP diploma** in leather work and a **BTS Production Technician diploma**. Another partnership connects its Paris boutiques with a vocational high school in Seine-Saint-Denis.

- In 2016, Veuve Clicquot sponsored *Entretiens de l'Excellence* for the fourth year running. This registered non-profit organization, approved by the French Ministry of Education, provides



encouragement and guidance to students who are interested in moving into highly skilled sectors but lack the courage or simply do not know where to start.

- To help connect companies with jobseekers, Parfums Christian Dior initiated the **2 000 emplois, 2000 sourires** (“2,000 jobs, 2,000 smiles”) job fair, held on May 12, 2016. The fair was organized at the Cosmetic Valley business cluster in France, and aimed to put young people and jobseekers in direct contact with recruiters at local companies. Employment advice was provided and 500 applications were received.
- To help people return to work, in July 2016 Veuve Clicquot renewed its **agreement with France’s national job agency Pôle Emploi** under the terms of a partnership set up in 1998. This innovative partnership aims to help jobseekers in northeastern France’s *Grand Est* region throughout every step of the recruitment and skills development process. Similarly, Hennessy works with **100 Chances 100 Emplois** in the Cognac region. This non-profit organization aims to help young people and young adults from underprivileged neighborhoods find work using the *100 Chances 100 Emplois* process already in place in a number of labor markets.
- Moët & Chandon is a “reference company” at the **local public jobs office in Epernay** and collaborates on local jobs and skills management initiatives in the area managed by the Epernay employment center. Moët & Chandon also participates in the authorization committee of the *Initiative Marne Pays de Champagne* project, in charge of promoting the creation of micro-businesses. It is also a major partner to local organizations that promote employment and social inclusion; the second-biggest local investor in educational projects after the city of Epernay; a partner in the work discovery week for students initiative organized by the local chapter of MEDEF, the French employers’ association; and a member of AJE, an association that connects young people and businesses, which awarded the company its “AJE label” for its engagement in initiatives to promote learning through entrepreneurship. As sponsors of **NEOMA Business School**, mainly based in Reims, Veuve Clicquot and Krug also take part in the *Les Cordées de la Réussite* program, which provides mentoring for over 200 young people in the Champagne-Ardenne region. The aim is to help high school students find their bearings and define their aims in terms of careers and the world of work.
- As part of its partnership with Paris suburbs **Clichy-sous-Bois and Montfermeil** (in Seine-Saint-Denis), for the sixth year running the LVMH group sponsored the **Cultures et Création fashion show**, held on February 13, 2016. This event, first held in 2005, showcases the wide-ranging creative talents of local designers. Every year, it attracts an audience of more than 700 people, and features 50 amateur and semi-professional designers and close to 200 volunteer models. Prepared by makeup artists from Guerlain, the models first attend master classes with Princess Esther Kamatari, a former model and ambassador for the Group’s Perfumes & Cosmetics business. The 2015 winner, Audiane Cojean, joined Céline on a couture work-linked training program with the ESCP Paris school of couture. In 2016, the judging panel – composed of fashion and human resources professionals – awarded a “judges’ favorite” prize to Claire Delahousse for her design work. Meanwhile, the *Jeune Talent* (young talent) prize, awarded to one young but underprivileged fashion enthusiast, went to Camille Boillet, whose style promotes designs suited to all body shapes and all types of disability. The 2016 winner received personalized design coaching and met with Dior couturiers to help her prepare to take part in Greenshowroom, an eco-fashion show held in Berlin on June 28-30 during Fashion Week.

This partnership also offers young people a **wide range of initiatives**, including “business discovery” internships for nearly 60 middle school students in 2016, visits to Group companies, internships for vocational school students, and career orientation. Since the program was launched, a number of young people have had the opportunity to join Group companies under a long-term work-linked training program at Paris’s couture union school, and in 2016, the 2013 winner joined Christian Dior’s Haute Couture workshop. On March 29, 2016, LVMH’s Institut des Métiers d’Excellence (IME) was in Clichy-sous-Bois to present its full range of work-study programs. Visitors were able to discover professions as varied as couture, jewelry and sales. Over the course of

an afternoon, the **IME Village** gave numerous partner schools the opportunity to present their diploma-track training courses for 2015-2016, with a range of vocational and technical courses requiring up to two years of higher education. Group companies taking part in the program were also on hand to meet future apprentices. Several people currently on work-study contracts attended the event to share their experiences. The IME covers a very wide range of subject areas, representing the different master crafts currently found at Group companies. Around 50 work-study positions were created over this period.

- **Supporting people excluded from employment :**

- To promote equal-opportunity access to world-class education, for the past five years LVMH has supported the **priority education program run by the Institut d'Études Politiques** (Institute for political studies, or Sciences Po Paris), by offering grants and enabling high school students from underprivileged neighborhoods to attend the school and be mentored by Group managers. On December 13, 2016, Sciences Po celebrated the program's 15th anniversary, along with the renewal of its partnership with the LVMH group for a further five years. Chantal Gaemperle, the LVMH group's Director of Human Resources and Synergies, sponsored the 2016 intake of students.
- In France, the Group has forged a lasting partnership with the charity *Nos Quartiers ont des Talents*, and also serves on its board of directors. The organization offers young graduates from underprivileged backgrounds the chance to be mentored by a Group executive or manager. A number of Group companies participate in this program. In 2016, 100 experienced managers participated as mentors and, as of the end of 2016, 71 young people are still being mentored. Since 2007, 468 young people have found jobs after being mentored by a Group employee.

- **Employment of people with disabilities:**

► See in this COP 2017 "Employment of disabled persons" (pp. 37-40 and 91-92).

## **5. Disadvantaged local communities and traumatic events :**

Around the world, Group companies are taking action to facilitate access to education in countries that are underprivileged or hit by natural disasters.

- **Communities in natural disaster-stricken regions:** The Group regularly provides support to communities affected by natural disasters. The efforts of LVMH and its Group companies to assist disadvantaged local communities go beyond corporate philanthropy and may include, for example, employee volunteering, donations of products or financial aid.

- Following the **earthquakes that shook central Italy in the summer and fall of 2016**, LVMH's Italian companies (Aqua di Parma, Berluti, Rossimoda, Bvlgari, Loro Piana and Fendi) raised funds to support the people affected and help to rebuild the areas struck. Loro Piana donated funds to help rebuild the Amatrice hospital in Rieti, Italy. In parallel, Fendi teamed up with social NGO Lai momo, which in 2017 aims to provide support to refugees and help them develop professional skills and expertise.
- De Beers Diamond Jewellers continued its partnership with *Women for Women International*, which supports women living in war-torn regions by offering them vocational training, making sure they know their rights and helping them set up micro-businesses.
- On January 11, 2016, Louis Vuitton entered into a partnership with **UNICEF** (United Nations International Children's Emergency Fund), raising **\$2.5 million for children in Syria and Nigeria**.
- Louis Vuitton also supports Japanese non-profit *Kokkyo naki Kodomotachi*, which aims to help children from Iwate Prefecture, which was severely affected by the March 2011 earthquake and tsunami.

- **Disadvantaged populations** : Facilitating access to education may sometimes even involve helping to build a local school, as the Group's companies have done.
  - **Promoting women's autonomy and self-confidence** :
    - In May 2016, for the second year running, Benefit launched ***Bold is Beautiful***, a beauty fundraising campaign to support projects spearheaded by women. During the month of May, all the proceeds generated by the brand's Brow Bars were donated to charities that empower women and girls around the world. Restoring women's self-confidence and encouraging them to dream big and be bold: these are the goals of the Bold is Beautiful campaign launched in 2015 by Benefit Cosmetics. In 2016, Benefit teams in Australia, Canada, France, Ireland, Singapore, Spain, the Middle East, the United Kingdom and the United States took part. Since the project's launch in 2015, over \$6.3 million has been donated to 20 non-profits in nine different countries, with more than \$3.4 million of this total raised in 2016 thanks to the participation of 209,000 people. The 20 charities supported all contribute in some way to promoting women's autonomy and self-confidence. Look Good Feel Better, for example, helps women undergoing treatment for cancer to regain their confidence and self-esteem. The charity organizes small-group beauty and makeup workshops, offering participants a shared experience of well-being and togetherness. Dress for Success helps women achieve economic independence by providing them with a support network, professional attire and career development tools.
    - To speed up access to employment, LVMH has put in place "**Jobstyle**" sessions. These job coaching sessions are led by Group company recruiters and beauty consultants from Make Up For Ever and Sephora. The goal is to give job candidates all the resources they need to fully prepare for a job interview and develop their self-confidence. The program is aimed at groups that are underrepresented in the labor market, supported by partners who are active in the fields of education, disability and integration. **In 2016, 11 sessions were held with over 150 participants** backed by the Group's partners (including *Force Femmes* and *Nos Quartiers ont des Talents*).
    - In 2016, Sephora America launched **Sephora Stands**, a multifaceted social impact program. The program embodies the company's values in three areas: women in business, with Sephora Accelerate; support for local communities, with Classes for Confidence; and employee action, with Sephora Stands Together. The first year of operations yielded very positive results: in 2016, more than 300 hours of mentoring were dispensed by Sephora Accelerate, more than 200 Classes for Confidence sessions, and more than 4,000 employees were encouraged to get involved in local communities. Free 90-minute beauty sessions were offered to **202 groups of disadvantaged women**, adding up to **more than 1,750 women** benefiting from the support of 125 non-profit partners. Some 70% of participants said that they had gained in confidence, with some reporting that they had gone on to have successful job interviews. A total of 136 US stores took part. This program also seeks to support businesswomen in the early stages of their careers by giving them practical and financial advice, particularly through mentoring. Sephora Accelerate aims to support 50 female beauty business entrepreneurs by 2020.
    - In France, Guerlain has supported ***Belle & Bien*** for the past 13 years. This non-profit organization is the French branch of the international **Look Good, Feel Better program**, which acts in 30 countries around the world in the fight against cancer. Belle & Bien offers free beauty workshops in hospitals to women suffering from cancer to help them rebuild confidence and self-esteem. Guerlain has been a member of the board of the organization since its foundation; it provides financial support and products and communicates on the work of Belle & Bien both inside the company and to clients. On February 4, 2016, Parfums Christian Dior staff from Paris and Saint-Jean de Braye also took part in the Beauty & Wellbeing day, which was an opportunity for volunteer employees to help support Belle & Bien. The staff took part in beauty and wellness workshops (makeup, nail bars, massages,

juice bars, etc.) and the sale of goodies, profits from which went to Belle & Bien. Donations of makeup have been made to the non-profit since 2011. In addition, in October 2016, many employees from Parfums Christian Dior, Hennessy, Chaumet, Céline, Berluti, Fred, LVMH Fragrance Brands, Moët Hennessy Diageo and Benefit donned the colors of Belle & Bien for the **Odyssea** race to raise money to tackle breast cancer.

- Sephora is a partner to the **Force Femmes non-profit**. Created in October 2005 by female business leaders, Force Femmes was born out of a shared drive for solidarity between women who wanted to make a personal commitment in the area of employment. Force Femmes promotes the idea that women aged over 45 represent a strength for a company.
  - The *Les Echos* newspaper took part in the **Young Women and Digital Forum** organized by Social Builder on May 20, 2016 in Paris. Social Builder is a social startup that aims to improve the gender mix through innovation in practices, support for key players and the promotion of a culture of equality among tomorrow's leaders. The startup is currently extending its actions to the whole of France, with a primary focus on the digital economy.
  - Every year, on June 1, LVMH hosts *Journée K*, organized by the **K d'Urgences Foundation**, to mark "World Parents' Day." Make Up For Ever also takes part. This day gives single-parent families an opportunity to meet professional advisers who can help them with administrative formalities. In 2016, the company received a Single-Parent Charter Award, presented by Anne Hidalgo, Mayor of Paris.
- The fourth **Committed Companies Dinner**, held on Wednesday, December 7, 2016, also provides an opportunity to support a chosen cause.
- This year, the **Coucou Nous Voilou** non-profit organization headed by Marc Salem, a former employee of the Paris hospitals group, was selected. The organization's goal is to create and finance projects designed to improve the daily lives and hospitalization conditions of young patients: equipment purchases, decorations, creation of living areas, improvements, entertainment, etc. Coucou Nous Voilou received EUR 40,000 in 2016.
  - The evening was also an opportunity to confirm the Group's commitment to two other non-profit organizations.
    - ✓ First, EUR 25,000 was donated to **Kelina**, a non-profit founded by Flora Coquerel that works to provide care for mothers and children. The funds raised have gone toward building a maternity unit in Benin, in a region with limited medical facilities.
    - ✓ Second, EUR 25,000 was donated to **K d'Urgences**, a non-profit founded by Christine Kelly that provides emotional, social and financial support to single-parent families.
- **Helping children :**
- In 2016, Sephora continued its partnership with **Toutes à l'école**, an NGO promoting education for young girls in Cambodia. During the end-of-year holiday season, Sephora sells a special item through its store network, with all proceeds going the organization. Also in Cambodia, since 2016 DFS has supported the Kuma education center, to the south of Phnom Penh, which works in the education, health and nutrition of very poor children, vulnerable adolescents and their parents. The structure was founded in 2012 by a Norwegian NGO, the Norwegian Association for Private Initiative in Cambodia (NAPIC).
  - Back in 2009, Bvlgari decided to get involved with international non-profit **Save the Children**, whose mission is to defend the rights of thousands of children and work for lasting improvements in their living conditions in 120 countries. Since then, 700,000 customers have bought Bvlgari's "Save the Children" jewelry and the company has donated more than \$50 million. More than a million children directly benefit from the programs supported. Over 100 projects have been launched in 33 countries around the world, with a particular focus on improving school services and infrastructure. Through this partnership, more than 250 employees have been involved in Save The Children's projects on the ground. The company stepped up its support in August 2016, launching the #RaiseYourHand campaign. Many

prominent figures agreed to raise their hands in a show of support for the cause championed by Bvlgari through a photo and film campaign directed by Fabrizio Ferri. The #RaiseYourHand campaign is aimed at empowering young people and offering them opportunities to thrive and achieve.

- Moët & Chandon and Ruinart have developed various partnerships with local authorities, educational institutions and organizations working with underprivileged groups.
  - The company is a member of *Sortir de Prison, Intégrer l'Entreprise (SPIE)*, a non-profit that partners with ARIFOR (regional action for information on training and orientation) and Lycée Hessel to help arrange internships for high school students with disabilities.
  - It participates in the authorization committee of the *Initiative Marne Pays de Champagne project*, in charge of promoting the creation of micro-businesses.
  - As well as being accredited by **AJE** (an association that connects young people with businesses), the company is also a major local partner of social inclusion non-profits – including *La Permanence du Jard*, *École de la 2e Chance* and *Oxygène*, which helps people find work in the wine sector – and the second-largest sponsor of educational projects after the Epernay city council.
- **Fair Supply sectors :**
  - As a reminder, LVMH contributed in 2015 to the development of new responsible and fair supply sectors. In light of heavy pressure on **cashmere resources**, it supports the programme introduced by the **French Agronomes et Vétérinaires Sans Frontières (AVSF)** NGO in Southern Mongolia, where over-grazing has led to major desertification problems and is threatening the future of local livestock farmers. This programme is based on encouraging ancestral behaviours and heritage. It is reflected in the building of “elite herds”, the introduction of sustainable pasture grazing and the creation of livestock farmers’ cooperatives. [📖 See "Environmental report 2015" p. 38.]
  - Founded by Ali Hewson and her husband, Bono, Edun is committed to promoting ethical, socially conscious fashion based on **fair trade**. Edun draws its inspiration from and manufactures its products on the African continent. Its collections of clothing, accessories and jewelry are not only a reflection of local craftsmanship but also the expression of a new Africa, steeped in dynamism, creativity and a spirit of enterprise. (See "2015 Annual Report" p. 145.) [Together with the Wildlife Conservation Society and Invisible Children, Edun set up the Conservation Cotton Initiative Uganda (CCIU) in 2008. Based in Gulu in the northwest of Uganda, an area which until recently was devastated by civil war, the CCIU programme currently supports 5,000 farmers and their families. The CCIU program is managed by TechnoServe and enables Edun to affect change at the start of the supply chain. Edun is proud to use CCIU cotton in the production of its fashion collection. Also, the Edun T-shirt line, *Edun Live*, primarily uses CCIU cotton. Through its operations, Edun looks to build long term, sustainable growth opportunities by supporting manufacturers, infrastructure and community building initiatives. Edun strives to provide an example of the viability of trade with sub-Saharan Africa, where 85% of the Spring 2014 collection will be produced.]

## 6. Environmental projects :

In the field of biodiversity and environmental conservation, LVMH is involved in a number of different partnerships with national and international organizations, local authorities and training institutions.

- **Project partnerships and professional collaboration:** 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.

▶ See in this COP 2017 pp. 105-115



- The Group’s Maisons form **flagship partnerships** whose primary goal is to support the environmental values promoted by the brands.
  - For instance, Moët Hennessy has become the official partner for **Solar Impulse**, an aircraft that is the only one of its kind in the world, with unlimited autonomy, which is capable of flying day and night with no fuel. This is how the Maisons in the Group’s Wines & Spirits business group intend to demonstrate their support for the values of conquest and excelling oneself, recognize excellence and innovation as two key drivers of progress, celebrate a major step towards a better world and showcase the opportunities offered by renewable energies. The innovative program, part of the Group’s employee development framework, will allow six employees with responsibility for projects of strategic importance to be mentored by Bertrand Piccard and André Borschberg and reap the benefits of their feedback. Three concepts that are essential to successfully completing a project underpin the program: endurance and resilience, team spirit and leadership, and lifelong learning and vision. Of the 130 employees approached regarding the program, 60 with an innovative and challenging project were invited to apply for mentoring from the two pilots.
  - Thanks to corporate sponsorship, LVMH is able not only to make a contribution to unusual projects such as Solar Impulse, but also to make a long-term commitment to natural resources. For instance, this is what Hublot is doing by fighting to **protect the natural habitat of pandas and big cats** alongside **WWF China** and the **Black Jaguar White Tiger Foundation**, and what TAG Heuer is doing by supporting **FIA Formula E**, the fully electric world car-racing championship.
- **Sponsorship with a high local environmental impact:**
  - **Glenmorangie and Kenzo are taking action to protect the seas :** Although their business activities are not really concerned with seas, the LVMH Group’s Maisons are contributing to the collective effort to protect marine animal and plant species threatened by global warming. They are taking action by limiting their greenhouse gas emissions and are also making a commitment via corporate sponsorship.
    - For instance, in late 2014, Glenmorangie launched a limited edition named “Dornoch” after a Scottish estuary that is outstanding for its natural beauty and has become a protected area. A percentage of the sales was passed onto the *Marine Conservation Society (MCS)*, which is in charge of maintaining and protecting the estuary. Glenmorangie extended this initiative in 2015 by setting up a scientific corporate sponsorship scheme. Since that date, the Maison has been involved in **DEEP (the Dornoch Environmental Enhancement Project)** that aims to protect and restore ecosystems in the Dornoch Estuary. The aim is to raise the quality of the seabed, coastline and animal species in this area, from the current level considered to be “good”, to an “excellent” level, thanks to the synergies resulting from the combined involvement of the three public, academic and industrial partners in the project.
    - 2014 was also the year when the Kenzo Maison attracted the fashion world’s attention to the threats posed to seas: in fact, the Maison entered into a long-term partnership with the *Blue Marine Foundation* in order to prevent over-fishing and marine pollution. The profits from the sale of T-shirts, sweatshirts and tops bearing the “No Fish, No Nothing” logo will be passed on to the Foundation.
  - The Maisons in the Perfumes & Cosmetics business group have been committed to **biodiversity** for a long time because they are also very close to nature, which provides them with many of the essential ingredients for the manufacture of their products. This industry has also helped boost the regional economy.
    - They regularly launch sector audits, such as those carried out on **roses, jasmine, orange trees and bergamot** since 2013, in order to assess their compliance with the Nagoya Protocol practices. They are also developing **ethno-botany**. Guerlain even became the first Group Maison to be awarded “Commitment to Biodiversity and the Climate” certification by **Ecocert** in 2015.

- The Maison has set up several sustainable sectors, e.g. for **vetiver** in India, **lavender** in France and **sandalwood** in Asia.
  - Guerlain has also dedicated to one of its symbolic raw materials, **orchids**, a research center like no other in the world : the **Orchidarium**. It includes a fundamental research laboratory in France, and an experimental garden at Geneva, in Switzerland. It is supplemented by a partnership focusing on sustainable development entered into for a period of ten years with the Tianzi Reserve in China, where about 10,000 orchids have been replanted since 2009.
  - Like Guerlain, Parfums Givenchy have launched a program based on growing vetiver. This program, which is being rolled out in Haiti with the support of the **Man & Nature NGO**, aims to prevent soil erosion, restore damaged areas and provide additional income to poor families.
- **Protecting bees is a symbolic cause** : In view of the role that bees play in protecting biodiversity, and their special connection with the history of several of LVMH’s Maisons, they have a unique place in the Group’s corporate sponsorship policy.
- Louis Vuitton and Guerlain have been involved in saving bees by **supporting scientists and local voluntary organizations for several years**. Guerlain’s long-term commitment alongside the Organization for the Protection of the Brittany Black Bee on the Island of Ouessant earned the Maison the “Jury’s favorite” corporate sponsorship award granted by the **French Ministry for the Environment, Sustainable Development, and Energy** in 2013. In 2015, the Maison set itself a new challenge for the protection of bees: it decided to support the **French Observatory for the Study of Bees**, which it will help to achieve its objective of training 30,000 new beekeepers in Europe and creating 10 million new bee colonies by 2025.
  - Meanwhile, Hublot also decided to commit to protecting bees in 2016. The Maison teamed up with **Bees4you**, and welcomed eight hives. Since then, it has offered bees an area that is favorable to their development, and is raising its employees’ awareness by inviting them to educational workshops and to take part in harvesting the honey. Hublot also gifts its “liquid gold” to its customers and partners, and hopes that its initiative will be emulated.
- As a reminder, in 2012, the Maisons of the Wines & Spirits business group signed a three-year program aimed at protecting biodiversity and promoting sustainable development at the state-owned Montagne de Reims forests (Marne department) with the **French National Forestry Office (ONF)**, enabling the ONF to launch high-quality environmental initiatives at two sites that are a very important part of Moët Hennessy’s heritage : Manoir de Verzy and Abbaye d’Hautvillers. This corporate sponsorship program has made it possible to start work restoring pond biodiversity in the Verzy state-owned forest, which is the first step toward having Montagne de Reims certified as an “Exceptional Forest”.

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

### Blueprint For Corporate Sustainability Leadership

#### Advocacy and Public Policy Engagement:

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

Commit company leaders to participate in key summits, conferences, and other important public policy interactions in relation to one or more UN goals/issues:

▶ See in this COP 2017 “Commitment and involvement at the highest level” (pp. 6-7)

▶ See in this COP 2017 “Criterion 3 : The COP describes robust *commitments, strategies or policies* in the area of human rights” (pp. 30-33).

▶ See in this COP 2017 “Criterion 9 : The COP describes robust *commitments, strategies or policies* in the area of environmental stewardship” (pp. 59-70).

## Criterion 18 : The COP describes partnerships and collective action :

### Blueprint For Corporate Sustainability Leadership

#### Partnerships and Collective Action:

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

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

• The Group LVMH is involved in several dialogue and partnerships with different categories of stakeholders from civil society. Due to the diversified and decentralized nature of its activities, the Group has defined general principles as regards stakeholder engagement that are circulated to the management of its Brands and subsidiaries. Each company is in charge of the management of its brand, according to its own processes, according to the Group's mission and values. Thus, each brand has its own method of brand strategic management, aimed at enhancing its financial value and reputation. **Consequently, the relations with global or international stakeholders is taken into account by the different members of the CSR Steering Committee while each LVMH brand, depending on its priorities and local challenges, determines its key stakeholders and implement it's own stakeholder engagement.**

• **Mapping of stakeholders :**

- For the past two years, the “2016 Social Responsibility Report” (pp. 17-19) has included a map of the main “**Relationships with stakeholders**”.
- See also “Environmental Report 2016” (“**Communication**” pp. 30-31 and “**Answering stakeholders' questions**” p. 56).

Many consultations and partnerships are implemented by LVMH with its main stakeholders. **The LVMH initiatives for the year 2016 are presented according to the following involvements.**

2016-17

### **1. Governments and international institutions :**

Different major national and international events relating to the environment and to sustainable development offer the company an ideal framework for displaying its commitment on a regular basis.

• The year 2015 was marked by the organization of the **21st United Nations Conference on Climate Change in Paris (COP21)**, of which LVMH was a sponsor, and which represented an extraordinary internal and external communication driver for the Group.

• LVMH's teams began preparing in 2015 for the **13th Conference of the Parties to the Convention on Biological Diversity**, which has been held in Cancun (Mexico) in December 2016. This Convention, which was adopted at the Earth Summit in Rio in 1992, consists of 42 articles and has three goals, those being to protect biodiversity, the sustainable use of its features and the fair and equitable sharing of the benefits arising from the use of genetic resources. Like the COP21 on Climate Change, this global summit has enabled LVMH to share information and initiatives relating to the protection of species and ecosystems, and to demonstrate its commitment in this area.

• After committing in 2011 to **France's National Strategy for Biodiversity (SNB) 2011-2020**, presented by the French government on the eve of International Biodiversity Day on May 22, 2011, the LVMH Group was awarded “National Strategy for Biodiversity Recognition” in October 2012 by the French Ministry of Ecology, Sustainable Development and Energy for its project entitled “Improving, from upstream to downstream, the footprint on biodiversity of LVMH activities”. LVMH also promoted biodiversity by taking part in discussions and work on the issue, as demonstrated by the participation of Sylvie Bénard, the

Group's Environment Director, at the **Global Forum on Natural Capital** organized in Edinburgh, Scotland in 2015.

- To underscore its attachment to Paris, **LVMH is supporting the city's bid to host the 2024 Olympic Games**. On May 30, 2016, the Paris 2024 Committee launched the "**Paris 2024 Partners Circle**" in the presence of the founder members of the bid: Denis Masseglia, Chairman of CNOSF, Emmanuelle Assmann, Chair of CPSF, Thierry Braillard, Minister for Sport, Valérie Pécresse, President of the Ile-de-France Regional Council, and Anne Hidalgo, Mayor of Paris. Before the meeting, it was announced that LVMH had become the twelfth Official Partner. Kenzo will dress the Paris 2024 delegation, which will present Paris's bid to host the 2024 Olympic and Paralympic Games. The fashion house worked with the delegation for the first time in Rio.
- LVMH has been taking part in **Green Week**, the largest **annual conference on Europe's environmental policy**, since 2010. The 2016 event was dedicated to ways of investing for a greener future. Accordingly, five factsheets were drawn up and distributed in several languages, in order to explain how LVMH is investing in making cities greener and improving city dwellers' living conditions, protecting farming areas and nature, developing sustainable innovation, protecting the seas, and preparing the future of the next generations.
- In the Wines and Spirits business group:
  - The vineyards were included in the network of benchmark farms established as part of the **2018 Ecophyto Plan**, which was launched by the French Ministry of Agriculture to reduce dependency on phytosanitary products in France while maintaining a high level of agricultural output. The initiatives implemented by Hennessy have enabled it to achieve a record decrease of 54% in phytosanitary product doses at its benchmark farm. The Maisons has also rolled out agro-environmental measures at its "Bataille et du Peu" estate. Eleven hectares of experimental fallow land have been planted with a mixture designed following research conducted by the French Institute of Vine and Wine Sciences on the plots where the vines were pulled up in early 2015. This mixture, which includes bee-forage plants, will prepare the soil prior to replanting and make the area more attractive. All the efforts made by Hennessy in order to maintain biodiversity and reduce the use of phytosanitary products should enable it to obtain Level 3 Option A certification in 2016.
  - In Argentina, for example, Bodegas Chandon has adhered to the "**Clean Production**" program supported by the **Argentinian Government**. The aim is to increase the synergies between the Government and wine producers in order to develop responsible production, primarily via programs aimed at raising awareness and providing training on best practices.
- In 2016, Loro Piana supported the filing of an amendment by the **Peruvian Government** aimed at ensuring that there is only one label for trademarking the origin of vicuna fibers, which will enable better traceability. As a reminder, between 2011 and 2013, LVMH participated, with Sephora, in the **French government's trial of environmental labeling**. [📖 See "2013 Environmental Report" p. 22.]

## 2. Local authorities and regions :

- Following its involvement in COP21 (as part of its partnership with the 21st United Nations Conference on Climate Change) **LVMH teamed up with the Paris Town Hall** in order to achieve the goals of the European Climate & Energy Plan by signing a partnership charter. Between now and 2020, the Group has committed to reducing energy consumption by 20% and to increasing the consumption of renewable energy by 50% compared with 2013 at its 150 sites in the Greater Paris Area (head offices, warehouses and boutiques). These efforts will be reflected by a 60% decrease in its greenhouse gas emissions.

- **Impact of the business on local communities in terms of employment and regional development :** A number of the Group’s companies have been established for many years in specific regions of France and play a major role in creating jobs in their respective regions :
  - Parfums Christian Dior in Saint-Jean de Braye (near Orléans), Guerlain in Chartres, Veuve Clicquot and Moët & Chandon in the Champagne region, Hennessy in the Cognac region and Louis Vuitton in the Drôme region. They have developed long-standing relationships with local government, covering cultural and educational aspects as well as employment. [📖 See “Jobs and regional development” in “2016 Social Responsibility Report” (pp. 61-67)]
  - Others have activities which are spread more widely across the country, like Sephora, which has stores throughout France (two-thirds of its workforce is employed outside the Paris region), enabling it to carry out a range of measures encouraging the development of job opportunities at the local level.
- **Open innovation:**
  - With **Hélios** (the new research center at the Saint-Jean-de-Braye site inaugurated in November 2013), **LVMH Research** is further strengthening its presence in Cosmetic Valley, an epicenter of fragrance and cosmetics expertise not far from Paris.
    - Alongside public and private sector players, LVMH’s R&D division is contributing to the area’s long-standing record of innovation. A prime example of this is **Cosmet’up**, a project which encourages sharing via a process of “open innovation”. Hélios is already establishing itself as a major technological platform in fragrance and cosmetics. In six separate buildings covering 18,000 sq.m, the center houses **300 researchers and more than 20 areas of specialist expertise** in an open working environment, designed to encourage the exchange of information.
    - Its state-of-the-art equipment and ultra-modern connector technology is open not only to LVMH Research personnel but to their various partners as well, notably via the Cosmet’up initiative, which was implemented in 2014. Initiated by LVMH Research and promoted by Cosmetic Valley, Cosmet’up is based on the establishment of two “technological mirror entities”: one at the University of Orléans for fundamental research, the other at Hélios for individual support in concept validation. The objective is to further strengthen the long-standing ties between LVMH Research and its partners in Cosmetic Valley, from university researchers to micro-businesses and SMEs, in order to nurture exchanges of information and ideas that will benefit all the sector’s key players. With Cosmet’up, both individuals and start-ups can, for a symbolic contribution, gain access to office and laboratory space within Hélios, enabling them to validate cosmetics-related concepts.
    - In addition, **selected micro-businesses and SMEs** can also benefit from access to state-of-the-art materials and equipment that they are not in a position to acquire, on the basis of time billing. This represents a valuable boost for fragile structures, which can thus complete their experiments in optimum conditions, with access to expert scientific support and advice.
    - The center also collaborates with **research facilities in Japan and China** that help support the pursuit of partnerships on strategic projects. Research done in 2014 has made it possible to improve the knowledge regarding Asian skin types in connection with lifestyle and environmental factors.
    - In cosmetics safety testing, LVMH Recherche has successfully developed alternative methods based on contact allergy-specific biological mechanisms identified over the course of multiple university contracts in the past ten years.
  - In France, for example, Louis Vuitton attends local committees on issues involving waste and energy organized by the **Cergy Urban District**. The Louis Vuitton Maison contributes to facilitating the **Plato economic development network** set up by the Val-d’Oise region’s Chamber of Commerce and Industry, and attends the local committees dealing with waste and energy topics organized by the Cergy urban community. In 2012 a pilot agreement was signed to collect and recycle waste from the



business parks in this urban center. Teams from the Cergy warehouses promoted their logistics site's best practices at meetings of the Versailles Chamber of Commerce and Industry (energy efficiency), the Val-d'Oise Prefecture and DRIEE [Regional and Inter-Department Environment and Energy Department] (energy efficiency), and the University of Cergy-Pontoise (sustainable logistics).

- LVMH has developed a **partnership with Clichy-sous-Bois and Montfermeil**, two adjacent suburbs of Paris with young, diverse populations. For the sixth year running the LVMH group sponsored the *Cultures et Création* fashion show, held on February 13, 2016. This event, first held in 2005, showcases the wide-ranging creative talents of local designers. Every year, it attracts an audience of more than 700 people, and features 50 amateur and semi-professional designers and close to 200 volunteer models. This partnership also offers young people a **wide range of initiatives**, including “business discovery” internships for nearly 60 middle school students in 2016, visits to Group companies, internships for vocational school students, and career orientation. Since the program was launched, a number of young people have had the opportunity to join Group companies under a long-term work-linked training program at Paris’s couture union school, and in 2016, the 2013 winner joined Christian Dior’s Haute Couture workshop.

### 3. Research and professional exchanges with organizations :

- **Social responsibility:**

- LVMH is a member of **ORSE** (*Observatoire sur la Responsabilité Sociétale des Entreprises* - France’s think tank for CSR)
- LVMH has been a member of **AFMD** (French Association of Diversity Managers) since 2013 and on the board since 2014.
- LVMH and its Maisons signed an agreement with **AGEFIPH** (French agency to promote private sector employment of persons with disabilities) (LVMH, Parfums Christian Dior, Veuve Clicquot). Group companies are involved in the **LVMH EXCELLhanCE** project : LVMH, Parfums Christian Dior, Veuve Clicquot, Benefit Cosmetics, Le Bon Marché, Berluti, Louis Vuitton, Make Up For Ever and Chaumet.
- In collaboration with other companies, in 2008 LVMH founded **ARPEJEH** (Accompagner la Réalisation des Projets d’Etudes de Jeunes Elèves et Etudiants Handicapés) and chaired it since 2012. This non-profit organization brings together some sixty French companies to offer advice and guidance to junior and senior high school students with disabilities. Employees are involved in this initiative and more than sixty young people were able to take part in it in 2016.
- To improve its supply chain’s performance for Tier 1 suppliers and beyond, in 2014 the Group also decided to join **Sedex**. Sedex is a non-profit organization that aims to promote responsible, ethical improvements to current practices in supply chains. Its approach is based on two main objectives: for suppliers, lightening the administrative load related to the proliferation of requests for audits, certifications, etc.; for the Group, pooling supplier audits and assessments, not only among Group companies but also with other Sedex members.

- **Responsible Jewellery Council (RJC) :**

- The LVMH Group has been a member of the **Responsible Jewelry Council (RJC)** since it was founded in 2005. This not-for-profit organization has set itself the task of promoting ethical, social, and environmentally-responsible practices that respect human rights throughout the jewelry procurement chain. The RJC now includes over 160 global professional operators, who are adjusting their management systems and their practices in order to guarantee compliance with sustainable development issues and criteria. The RJC has specifically developed a certification system for its members who are involved in the gold and diamond sectors, which requires them to undergo audits by accredited independent auditors. All of the Maisons in LVMH’s Watches & Jewelry business group obtained RJC certification between 2011 and 2012.

- Bvlgari extended the process by becoming the first company in the sector to be awarded **Chain of Custody – CoC-certification** for its gold jewelry production lines in June 2015. This process will gradually be extended to the other Maisons.
- **Diamond and Precious Metals** : In 2016, direct and indirect sourcing from sub-contractors have been fully mapped for these two categories. The Kimberley Process requirements are applied to diamonds. Kimberley certification requires the input of independent, accredited auditors.
- **Colored stones** : LVMH has also taken part in the work performed by the **Dragonfly Initiative**, an organization that includes European and US operators in the luxury jewelry sector, and works on the development of best practices for the extraction of colored stones, since 2014.
- **Biodiversity and sourcing** : In order to help improve the methodological discussion on the environment and biodiversity, the LVMH Group is a member of the non-profit association **Orée** and the **Inspire** institute, and is vice-chair of the Strategic Policy Committee of the **Foundation for Biodiversity Research (FBR)**.
  - In November 2014, LVMH joined the eight public research bodies that are members of the Board of Directors of the **Biodiversity Research Foundation (FRB)**. The admission of LVMH to the FRB Board of Directors also reflects its longstanding involvement alongside the Foundation, which the company has been supporting for over six years. The partnership between LVMH and FRB has resulted in a significant amount of research. For instance, at the Group's request, the FRB conducted a study aimed at gaining a better understanding of the complexity of the issues relating to the application of the Nagoya Protocol. This Protocol, which was adopted in 2010, establishes the principle of access to and sharing of benefits, and aims to govern the relationship between a supplier of genetic resources and a user during research and development activities. The experts invited by the Foundation met the LVMH Perfumes & Cosmetics Research Team, and carried out several assignments in order to gather information from operators in two supply sectors (*Aframomum Angustifolium* from Madagascar, and *Anogeissus Leiocarpus* from Burkina Faso). They were therefore able to make a series of recommendations regarding the use of natural substances and accessing and sharing benefits in the cosmetics industry.
  - In order to promote more responsible practices among its leather suppliers, LVMH is involved on an ongoing basis in Business for Social Responsibility (**BSR**) and in the Responsible Ecosystems Sourcing Platform (**RESP**) by participating in the working subgroups dealing with the tracability 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. LVMH is also a member of the **Orée association** (*Organisation pour le Respect de l'Environnement* or the Organization for the Protection of the Environment), which brings together companies, regional authorities, professional and environmental organizations, and institutions in order to review environmental best practices and ways of encouraging integrated management of the environment at a regional level. In collaboration with **Centre Technique du Cuir**, Louis Vuitton has developed an environmental audit tool based on 30 questions covering the major risks relating to tanneries. While Louis Vuitton set itself the target of auditing 80% of Tier 1 and 2 tanneries in 2016, its aim for 2017 is to adapt the tool and roll it out to dyeing activities.
  - **Guaranteeing the origin of python skins** via the use of DNA and other cellular tracers is the goal of the studies that LVMH has been conducting with Professor Mark Auliya, from the **Center for Environmental Research-UFZ in Leipzig**, since 2013. These studies, which are performed on South-East Asian pythons, specifically aim to make a distinction between farmed animals and animals removed from the natural environment for commercial purposes in order to prevent poaching. They may ultimately supplement the work performed as part of the RESP platform. In fact, LVMH has been involved in devising a method that makes tracing python skins easier with its partners in the platform since 2014; this method is based on visual recognition (as each skin is different in terms of the positioning and size of the scales). RESP began the test stages in 2016.
  - Given the very high quality of the cotton we use, to date we have not yet identified organic cotton producers giving a product of equivalent quality. Nevertheless, initiatives are under way to progress

while preserving our quality requirements. In the case of cotton, some of the Group's Maisons use **BCI (Better Cotton Initiative) cotton**. The Group is set to accelerate this initiative and roll out this sector more extensively.

- LVMH also adhered to the **Natural Capital Coalition** in 2015. This body is a multi-participant platform whose aim is to develop methods for assessing the use of natural capital by businesses. LVMH tested the protocol under development in the cotton sector this year.
  - LVMH has also adhered to the **Textile Exchange** (a US organization recognized for its work in the textile sectors) in order to contribute to the development and implementation of best practice standards in textile sectors. Textile Exchange is specifically working on developing organic cotton sectors and new "responsible" wool and down standards : the **Responsible Down Standard (RDS)** and the **Responsible Wool Standard (RWS)**. These standards, which are directly inspired by the question of animal well-being, are expected to enable all the operators involved to procure supplies. LVMH pays attention to animal well-being in the sheep's wool sector, including muzzling practices. Where sheep's wool is concerned, LVMH has decided to encourage two initiatives in the supply chain : the best practices determined by the **IWTO** as well as the Responsible Wool Standard (**RWS**).
  - LVMH has been one of the industrial partners for **CIRAIG**, the Inter-University Research Centre for the Life Cycle of Products, Processes and Services based at the École Polytechnique and Management Sciences School at the University of Quebec in Montreal. The Group is primarily a member of the working groups on the circular economy and the water footprint. For employees responsible for environmental subjects in the Maisons, the training course of the Environmental Academy also includes an introduction to analyzing a life-cycle, delivered in a virtual class by experts from CIRAIG.
  - Guerlain was a member of the **"Pack in Green" jury** for the fifth year running in 2016. This jury rewards the best eco-designed innovation in terms of packaging in the luxury goods sector during the year.
- **RSPO** : The Perfumes & Cosmetics Maisons use palm oil derivatives and have set themselves the objective of using 50% of palm oil derivatives certified by the **RSPO (Roundtable on Sustainable Palm Oil)**. As an example, Bvlgari has adopted the measures aimed at ensuring that all the palm oil derivatives included in the composition of its products come from a sustainable supply by the end of 2017.
  - **Sustainable viticulture** :
    - The Hennessy Maison, which has been involved in a proactive environmental approach for almost twenty years, has made sustainable viticulture a priority. Hennessy has been a member of the **DEPHY Network** for over five years. This network is responsible for introducing farming systems that reduce the use of treatment products. The area of its vineyard included in DEPHY benchmark farms increased from 12.5 to 30 hectares in 2016. Optimizing the treatment strategy is a commitment that is applied via several alternative and innovative measures. Accordingly, the Maison now exclusively uses confined pulverization via a machine fitted with recovery panels, thereby avoiding propagation in the atmosphere and the soil, and protecting the environment and the neighborhood from nuisances. It has also tested new techniques such as sexual confusion in order to replace insecticides. Its efforts in the sustainable viticulture area earned it the award of High Environmental Value certification, option A at level 3 in February 2016. The Maison is also involved **with BNIC** in this field and worked on implementing a digital sustainable viticulture benchmark intended for all the winegrowers in the production region in 2016.

- In Poland, the Belvedere Distillery :
  - has set up the **Foundation for Protecting the Environment** with several local farmers and the City of Zyrardów, where it is based ;
  - signed an agreement with the **Lódz Technological University** in 2005, which enables it to reward the best theses in the biotechnology field every year;
  - designed a program dedicated to raw alcohol with suppliers and scientists in Poland : the aim is to secure and improve the quality of its procurement by guaranteeing the local origin of the alcohol and environmentally friendly farming practices.
- Bvlgari is a partner of the **University of Pisa and Sant' Anna School of Advanced Studies** : the Maison finances part of the Master's program intended for young professionals working on the environment, and dedicated to managing and auditing the circular economy and the efficient use of resources.
- Hennessy chose corporate scientific sponsorship in 2016 so as to support a team of French and international scientists who are involved in **combating wood and vine diseases**. In early 2016, Hennessy donated EUR 600,000 to a **team of French and international scientists** involved in combating wood and vine diseases, in particular esca. This disease, which has been nicknamed "vine cancer", and which has been spreading increasingly quickly since 2001, suffocates the plant until it dies. It is particularly dangerous for the grape variety used to produce cognac in the Charente region, where it has made 8,500 hectares unproductive. Faced with the threats to France's wine-growing heritage and to the development of the entire cognac production sector, Hennessy has decided to act by launching its first scientific corporate sponsorship program.
- **Partnerships for bees:** In view of the role that bees play in protecting biodiversity, and their special connection with the history of several of LVMH's Maisons, they have a unique place in the Group's corporate sponsorship policy.
  - Louis Vuitton and Guerlain have been involved in saving bees by **supporting scientists and local voluntary organizations for several years**. Guerlain's long-term commitment alongside the Organization for the Protection of the Brittany Black Bee on the Island of Ouessant earned the Maison the "Jury's favorite" corporate sponsorship award granted by the **French Ministry for the Environment, Sustainable Development, and Energy** in 2013. In 2015, the Maison set itself a new challenge for the protection of bees: it decided to support the **French Observatory for the Study of Bees**, which it will help to achieve its objective of training 30,000 new beekeepers in Europe and creating 10 million new bee colonies by 2025.
  - Meanwhile, Hublot also decided to commit to protecting bees in 2016. The Maison teamed up with **Bees4you**, and welcomed eight hives. Since then, it has offered bees an area that is favorable to their development, and is raising its employees' awareness by inviting them to educational workshops and to take part in harvesting the honey. Hublot also gifts its "liquid gold" to its customers and partners, and hopes that its initiative will be emulated.

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 Ile-de-France Black Bee Conservatory (**CANIF**) and the **CNRS**.

- In 2011, Louis Vuitton also signed a three-year sponsorship agreement with the **CNRS** (France's National Center for Scientific Research) for a project entitled "City bees - Country bees", the goal of which is to understand why bees fare better today in urban areas than rural ones. A study released in 2012 addressed biodiversity at Louis Vuitton's Cergy 1 and Cergy 3 sites (flora, birds, butterflies).
- The Conservation Centre (**CANIF**) celebrated its 25th anniversary in 2015, and Guerlain has renewed its support for the Centre for ten years. The Maison specifically decided to encourage the Conservation Centre to obtain organic certification. The first inspection – a stage in preparing the final audit which is scheduled in October 2016 – took place in October 2015.

**4. Sustainable Corporate Sponsorship :** The signing of corporate sponsorship agreements is another way for LVMH to take action for the environment.

- For instance, Moët Hennessy has become the official partner for **Solar Impulse**, an aircraft that is the only one of its kind in the world, with unlimited autonomy, which is capable of flying day and night with no fuel. This is how the Maisons in the Group's Wines & Spirits business group intend to demonstrate their support for the values of conquest and excelling oneself, recognize excellence and innovation as two key drivers of progress, celebrate a major step towards a better world and showcase the opportunities offered by renewable energies.
- Thanks to corporate sponsorship, LVMH is able not only to make a contribution to unusual projects such as Solar Impulse, but also to make a long-term commitment to natural resources. For instance, this is what Hublot is doing by fighting to **protect the natural habitat of pandas and big cats** alongside **WWF China** and the **Black Jaguar White Tiger Foundation**, and what TAG Heuer is doing by supporting **FIA Formula E**, the fully electric world car-racing championship.
- **Glenmorangie and Kenzo are taking action to protect the seas :** Although their business activities are not really concerned with seas, the LVMH Group's Maisons are contributing to the collective effort to protect marine animal and plant species threatened by global warming. They are taking action by limiting their greenhouse gas emissions and are also making a commitment via corporate sponsorship.
  - For instance, in late 2014, Glenmorangie launched a limited edition named "Dornoch" after a Scottish estuary that is outstanding for its natural beauty and has become a protected area. A percentage of the sales was passed onto the **Marine Conservation Society (MCS)**, which is in charge of maintaining and protecting the estuary. Glenmorangie extended this initiative in 2015 by setting up a scientific corporate sponsorship scheme. Since that date, the Maison has been involved in **DEEP (the Dornoch Environmental Enhancement Project)** that aims to protect and restore ecosystems in the Dornoch Estuary. The aim is to raise the quality of the seabed, coastline and animal species in this area, from the current level considered to be "good", to an "excellent" level, thanks to the synergies resulting from the combined involvement of the three public, academic and industrial partners in the project.
  - 2014 was also the year when the Kenzo Maison attracted the fashion world's attention to the threats posed to seas: in fact, the Maison entered into a long-term partnership with the **Blue Marine Foundation** in order to prevent over-fishing and marine pollution. The profits from the sale of T-shirts, sweatshirts and tops bearing the "No Fish, No Nothing" logo will be passed on to the Foundation.

## **5. Consumers and public :**

- **Responsible consumption:** For many years, Moët Hennessy has emphasized the responsible enjoyment of its champagnes, wines and spirits. This engagement takes the form of numerous actions directed at its employees and customers as well as guests and visitors to Group companies.
  - Moët Hennessy not only adheres scrupulously to local regulations, it also self-regulates across the entire spectrum of its communications and marketing practices, and follows online media guidelines, for example by using filters to keep underage viewers from entering its companies' websites. Every year, Moët Hennessy's teams teach hundreds of consumers the rituals for tasting its exceptional products, highlighting not only their exquisite quality but also the rich culture, heritage, and history behind them, to be appreciated properly in moderation.
  - In Europe, Moët Hennessy mentions [www.wineinmoderation.com](http://www.wineinmoderation.com) on the labels of all its wine and champagne bottles (except in France for legal reasons), and [www.responsibledrinking.eu](http://www.responsibledrinking.eu) on all its spirits bottles. These two websites provide consumers with information on responsible drinking.
  - Moët Hennessy rolled out an internal communications campaign reminding employees that they are "all ambassadors for responsible drinking", using a series of visual presentations translated into eight languages worldwide.



- Moët Hennessy is a member of the European Alcohol and Health Forum sponsored by the European Commission, and offers commitments every year to promote responsible drinking. The commitment for 2013-2014 was about training employees and was assessed by a European Commission-designated external consultant as being 89% satisfied. In 2015 it was about the responsible drinking campaign mentioned above.
- Lastly, Moët Hennessy continues to lend its active support to numerous responsible drinking programs around the world : in addition to Wine in Moderation, Moët Hennessy participates in many local programs.

[📖 See “2016 Reference Document” (p. 107).]

• **Stakeholders’ questions: 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. [📖 See “2016 Reference Document” (pp.106-107) and “Environmental Report 2016” (pp. 43 and 56).]

- **Any member of the public should be able to find contact persons at the Group’s Houses and stores and obtain valuable information on its environmental initiatives.**

- This proactive approach was illustrated by Louis Vuitton in 2015. The Maison, which communicates its environmental approach, drafted targeted replies to questions on a variety of issues from subsidiaries, customers and NGOs. To supplement the information supplied to Internet users, it added a spotlight on the end of life of its products on its website. The Maison also presented its initiatives aimed at protecting the environment in an academic context when it addressed students studying for the Marne-la-Vallée Master’s Degree in Luxury Goods and Innovation. Lastly, Louis Vuitton attended Luxe Pack, the luxury goods packaging tradeshow, which was held in Monaco in October. Representatives of the Maison formed part of the Jury for the “Luxe Pack in Green” Award, and spoke at the roundtable on the challenges posed by climate change to the strategies of operators in the luxury goods sector.
- Although Bvlgari has chosen to set up a cross-divisional team responsible for responding to customers’ requests, most Houses focus on making all their employees ambassadors for their environmental protection policy. They draw up training courses and talking points for them, and even distribute handbooks in order to help the store personnel to answer certain questions, such as those relating to the REACH Regulations, or to Responsible Jewellery Council certification. At the same time, they are ready to provide all kinds of information, including answering requests from financial investors, with a constant requirement for transparency and accuracy.

- **Management of satisfaction and complaints** [📖 See the example of cosmetic products and consumer safety in “Environmental Report 2016”(p. 43)] :

- The very stringent requirements on cosmetic products guarantees the safety of our cosmetics, not just at the time they are placed on the market, but also while they are being marketed. A customer relations network has been set up 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 very stringent requirement of the LVMH Group guarantees the safety of our cosmetics, not just at the time they are placed on the market, but also while they are being marketed.
- We measure customer satisfaction at the brand level. Satisfaction measurement is not managed at the Group level. Each Maison has its own methodology to measure **customer satisfaction**. Example of Parfums Christian Dior :

- ✓ The customer relations service for Europe area is based in Paris and operates in nine languages available on a dedicated space Dior.com by mail, live Chat, e.mail and telephone. This service is also available in China since November 2013, and in Japan since February 2015.
  - ✓ Parfums Christian Dior has a barometer for measuring customer satisfaction in key European countries. At the end of 2016, in Europe, requests for information represented 31 % of all clients approached, claims 17 % (on a variety of topics such as packaging, texture, manufacturing, etc.) and assistance on online orders 12 %. In China, inquiries accounted for 55 % of customer contacts and claims 5 %. In Japan, customers approached mainly concerned requests for information, assistance on online orders and claims, respectively 31 %, 34 % and 6 % of contacts.
  - ✓ In February 2016, Parfums Christian Dior was classified, under Qualiweb Trophies, n° 1 online Customer Relationship in the Beauty & Cosmetics category.
- Beyond the different requirements of regulations and more particularly the REACH (Restriction, Evaluation, Authorization and Restriction of Chemicals) regulations, or similar regulations such as Proposition 65 in California, LVMH has gone further in the case of the Maisons in the Fashion & Leather Goods and Watches & Jewelry business groups by opting for a genuine **risk management policy**.
    - It has drawn up a comprehensive program focused on a new internal standard, the **LVMH RSL (Restricted Substances List)**, which prohibits or restricts the inclusion of certain substances in the items brought to market, or their use by suppliers. The Group began training its teams on how to use the RSL in 2016, which will help the Maisons to adopt a continual improvement approach.
    - Another in-house tool, the **LVMH Testing Program**, strengthens the audit system for the Maisons in the Fashion & Leather Goods business group: it enables them, at five partner laboratories, to test substances considered the most at risk, depending on the materials. LVMH's Environment Department has also prepared and distributed specific technical handbooks in order to help suppliers to eliminate certain substances and use alternatives.
    - At the same time as these initiatives, the Group is continuing its discussions with other operators in the luxury goods sector and professional organizations in order to develop best practices.
- **Awareness of customers** : Between May 20 and 22, 2016, the LVMH group opened the doors of some 40 Group companies as part of the *Les Journées Particulières* open days. After the success of the previous two such events, each of which attracted more than 100,000 visitors, 53 locations in France, Switzerland, Italy, Spain, Poland and the United Kingdom were opened to the general public, in some cases for the very first time. The event attracted unprecedented visitor numbers, with more than 145,000 people taking this opportunity to discover the expertise and history of Group companies. To add to this peek behind the scenes at Group companies, there was a special emphasis on digital communication. Teams from Facebook and Instagram joined in to enable the greatest possible number of people to access confidential areas and discover the artisanal expertise that has been protected down the ages through the eyes of members of the Instagram community.
  - **Local residents**: For the renovation of La Samaritaine, various informational meetings were held before and during the clearing and asbestos removal work, as well as during the project's development phase. A "model house" containing all the appropriate presentation media was opened to the public and provided information about the site's history and specific features of the project's architecture. Local residents and the town hall of the 1st *arrondissement* were fully involved in the information and consulting process, particularly with regard to how the project would impact the Rue Baillet, which is adjacent to the La Samaritaine building. [See "2013 Environmental Report" (p. 16).]

## 6. Suppliers and *Social Entrepreneurship* :

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

▶ See in this COP 2017 more particularly “Support of suppliers” (pp. 26-29).

## 7. Universities and Business Schools : Many events were organized along these lines, together with schools and universities across various professions, regions, and levels of qualification.

- Boosting appeal among the younger generation The LVMH group wanted to strengthen its ties with the younger generation by creating “**Inside LVMH**”, which was held on November 22, 2016. The event was designed to give 220 students from Europe’s top business, engineering and design schools access to the Group and some of its companies. It was an opportunity for close discussion on the topic of innovation and luxury. The day was divided into three parts: a morning small-group session providing an in-depth introduction to 16 of the Group’s companies (including Berluti, Louis Vuitton, Parfums Christian Dior, Make Up For Ever, Moët Hennessy and Chaumet), an afternoon group workshop on innovation at the Group’s head office, and an evening at the Fondation Louis Vuitton. Students were welcomed by Chantal Gaemperle, who talked about how integral the passing on and sharing of knowledge is to the Group’s human resources policy. Bernard Arnault then gave a presentation of his vision for the Group and the opportunities it offers. At the end of the masterclass, guests could visit the “Icons of Modern Art: The Shchukin Collection” exhibition. The event was a real success, receiving very positive feedback from the universities, students and Group employees involved. The students that attended made connections that will help them consider a potential career with the Group.

- In October 2016, the LVMH group launched the on-campus **LVMH Days at partner schools** to present the Group’s different professions and companies to potential employees. The LVMH Days aim to give students a clearer idea of the diversity within LVMH and of the career opportunities and broad range of professions across the 70 companies that make up the Group. The programs include themed workshops, plenary conferences, business case studies and recruitment sessions, with each one tailored to the partner school in question. The first LVMH Day of the 2016-2017 academic year was held at the HEC campus on October 27, 2016. The day was organized around three insightful themed workshops held by Group companies: Louis Vuitton on finance, Parfums Christian Dior on challenges in the marketing professions, and a joint workshop co-hosted by Parfums Givenchy and Kenzo Parfums on customer experience when launching new products. The 250 student attendees then had a chance to talk informally with human resources managers from the different companies about opportunities for internships, VIE (international volunteering) and employment within the Group. LVMH Days were also held at EM Lyon, Arts et Métiers Paris Tech ENSAM, Grenoble EM, EDHEC, Institut Français de la Mode, Bocconi University, Central Saint Martins, the University of St. Gallen and more.

- For many years, the Group has maintained **special ties with business and engineering schools and universities**. These relationships enable the Group and its specific companies to develop their reputations as preferred employers among students, and give them a window onto major career tracks and prospects. In 2016, the Group deepened its strong ties with schools and universities thanks to two new additions to its portfolio of international partnerships: the “Creation & Sustainability” partnership signed with **Central Saint Martins** in London, and the Chair in *Savoir-Faire d’Exception* (exceptional expertise) in partnership with **ESSEC Business School**.

Many other specific partnerships have been developed by Group companies [📖 See “2016 Social Responsibility Report” (pp. 21-24).]

## *Corporate Sustainability Governance and Leadership*

### **Criterion 19 : The COP describes CEO commitment and leadership :**

#### **Blueprint For Corporate Sustainability Leadership**

##### **CEO Commitment and Leadership :**

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

▶ See in this COP 2017 : “Criterion 1 : The COP describes mainstreaming into corporate functions and business units” (pp. 6-10).

### **Criterion 20 : The COP describes Board adoption and oversight :**

#### **Blueprint For Corporate Sustainability Leadership**

##### **Board Adoption and Oversight :**

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

▶ See in this COP 2017 : “Criterion 1 : The COP describes mainstreaming into corporate functions and business units” (pp. 6-10).

### **Criterion 21 : The COP describes stakeholder engagement :**

#### **Blueprint For Corporate Sustainability Leadership**

##### **Stakeholder Engagement :**

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

- The "LVMH Code of Conduct", adopted in May 2009, summarizes the contacts responsible for ensuring CSR implementation and compliance within a dedicated **CSR Steering Committee**.

▶ See more details in this COP 2017 : “Criterion 1 : The COP describes mainstreaming into corporate functions and business units” (pp. 6-10).

- The Group LVMH and Maisons are involved in **several dialogue and partnerships with different categories of stakeholders** from civil society.

▶ See in this COP 2017 “Criterion 18 : The COP describes partnerships and collective action” (pp. 105-115).

- Due to the diversified and decentralized nature of its activities, the Group has defined **general principles as regards stakeholder engagement** that are circulated to the management of its Brands and subsidiaries.
  - Each company is in charge of the management of its brand, according to its own processes, according to the Group's mission and values. Thus, each brand has its own method of brand strategic management, aimed at enhancing its financial value and reputation.
  - The collaboration developed between LVMH and the Houses allow discussing the stakes concerning sustainable development and CSR through different tools and meetings : committees and specific international networks (social, environment, supply chain, communication...), local committees, annual conventions, working groups, collaborative tools, events, etc.
- Consequently, the **relations with global or international stakeholders is taken into account by the different members of the CSR Steering Committee** while each LVMH brand, depending on its priorities and local challenges, determines its key stakeholders and implement its own stakeholder engagement.

## **Blueprint For Corporate Sustainability Leadership**

### **Stakeholder Engagement :**

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

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

▶ See in this COP 2017 "Criterion 18 : The COP describes partnerships and collective action" (pp. 105-115).





- ✓ Strategies to ensure that community investment projects and programmes (including economic, social and environmental) positively impact women and girls
    - Designing community stakeholder engagements that are free of gender discrimination/stereotyping and sensitive to gender issues
    - Gender impact assessments or consideration of gender-related impacts as part of its social and/or human rights impact assessments
    - Strategies to ensure that community investment projects and programmes (including economic, social and environmental) include the full participation of women and girls
    - Other established or emerging best practices
    - Any relevant policies, procedures, and activities that the company plans to undertake by its next COP to address this area, including goals, timelines, metrics, and responsible staff
- The COP contains or refers to sex-disaggregated data**
- ✓ Achieving and maintaining gender equality in senior management and board positions
  - ✓ Achieving and maintaining gender equality in middle management positions
  - ✓ Recruitment and retention, including training and development, of female employees
    - Equal pay for work of equal value
    - Flexible work options
    - Access to child and dependent care
    - Support for pregnant women and those returning from maternity leave
    - Gender-specific health and safety issues
    - Gender-based violence and harassment
    - Education and training opportunities for women workers
    - Creating and maintaining workplace awareness of gender equality and, inclusion and non-discrimination for all workers
    - Mentoring and sponsorship opportunities for women workers
    - Other established or emerging best practices
    - Any relevant policies, procedures, and activities that the company plans to undertake by its next COP to address this area, including goals, timelines, metrics, and responsible staff

► **See more particularly in this COP 2017 :**

- Commitments : pp. 25-27, 30-31, 101.
- Initiatives, processes, tools and best practices : pp. 31-32, 93-94.
- Value Creation : pp. 55
- Strategic social investments and philanthropy : pp. 96-97.

📖 **See also LVMH's Reports :**

- **"2016 Reference Document" :**
  - "5.1. Gender Equality" (pp. 82-83).
- **"2016 Social Responsibility Report" :**
  - "Developing shared prevention practices" (pp. 50-51) :
    - ✓ The 14 undertakings in the "LVMH Recruitment Code" adopted in December 2009.
    - ✓ "Discrimination prevention training".
    - ✓ "Discrimination testing".
  - "Promoting gender equality in the workplace" (pp. 52-54) :
    - ✓ Key findings
    - ✓ Drivers :
      - "EllesVMH" initiative and "EllesVMH Connect".
      - Initiatives from companies.

## Proportion of female employees in joiners<sup>(a)</sup> and in the Group's active workforce

% women in 2016	Joiners	Group employees
	2016	2016
<b>Breakdown by business group</b>		
Wines and Spirits	46	37
Fashion and Leather Goods	66	70
Perfumes and Cosmetics	86	83
Watches and Jewelry	59	59
Selective Retailing	84	84
Other activities	32	33
<b>Breakdown by professional category</b>		
Executives and managers	64	64
Technicians and supervisors	70	68
Administration and Sales personnel	83	82
Production workers	44	56
<b>Breakdown by geographic region</b>		
France	64	64
Europe (excluding France)	79	74
United States	82	80
Japan	77	76
Asia (excluding Japan)	75	76
Other markets	84	74
<b>LVMH group</b>	<b>78</b>	<b>74</b>

(a) Under permanent contracts, including internal mobility and conversions of fixed-term contracts to permanent contracts.

<b>Proportion of female in 2016</b>	
TOTAL	74 %
Board of Directors	40 %
Executive committees	38 %
Management grades	64 %
Technical staff/Team leaders	68 %
Administrative/Sales staff	82 %
Production staff	56 %

## ***ANNEX: Business & Peace***

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

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

▶ See in this COP 2017 “Criterion 2 : The COP describes value chain implementation” (pp. 10-29).

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

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

▶ See in this COP 2017 “Criterion 18 : The COP describes partnerships and collective action” (pp. 105-115).

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