

United Nations Global Compact



United Nations
Global Compact



Communication On Progress 2018


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LVMH

MOËT HENNESSY • LOUIS VUITTON


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 About main facts and best practices **for the year 2017-18**, see more particularly informations indicated by a specific pictogram.

- The other informations (policies and processes) are always available and **pursued by LVMH**.
- Informations disclosed only come from **public reports**.

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 The following pictogram highlights particular informations contributing to the **17 SDGs** adopted by all United Nations Member States in 2015.



 In order to lighten the document and to avoid duplication and repetition of informations, we refer as far as possible to criteria already dealing with the information concerned. From this point of view, the first part named “*Implementing the Ten Principles into Strategies & Operations*” represents a central issue in the COP 2018 [Criterion 1 and 2: "The COP describes mainstreaming into corporate functions and business units" and "The COP describes value chain implementation"].

The Communication on Progress is in the following format:

Stand-alone document

What is the time period covered by your COP ?

Year “2017” in accordance with all public reports and documents of LVMH:

“2017 Reference Document”	https://r.lvmh-static.com/uploads/2018/03/lvmh_ddr_va_2017- interactif.pdf
“2017 Annual Report”	https://r.lvmh-static.com/uploads/2018/03/lvmh_ra_2017-va.pdf
“2017 Environmental Report”	https://r.lvmh- static.com/uploads/2018/04/lvmh_environment_2017en.pdf
“2017 Social Responsibility Report”	https://r.lvmh-static.com/uploads/2018/06/lvmh-2017_social- responsibility-report.pdf

“LVMH Code of Conduct” (revised/published in December 2017)	https://r.lvmh-static.com/uploads/2017/12/lvmh-code-of-conduct- 2017_122017.pdf https://r.lvmh-static.com/uploads/2017/12/lvmh- code-of-conduct-2017_122017.pdf
“LVMH Supplier Code of Conduct” (revised/published in December 2017)	https://r.lvmh-static.com/uploads/2008/12/lvmh-supplier-code-of- conduct_122017.pdf

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.

Taking each individual and 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 discriminatory factors such as gender, race, religion or political opinion, 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 labor and forced labor.
- ✓ As the world leader in luxury, it is the duty of LVMH to be exemplary. Our Maisons make use of rare and precious natural raw materials in the formulation of their products. We have no option other than to seek to preserve these resources which constitute our common heritage. With regard to the environment, just as in our products, we strive for excellence.

With this “Communication On Progress 2017-2018”, 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. This COP represents a clear contribution to the Sustainable Development Goals (SDGs). »



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
Yes	Yes	Yes	Yes

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.

This report includes a reasonable assurance report on a selection of environmental Information.

 See “Independent verifier’s report on consolidated employee-related environmental and social information” in “2017 Reference Document” (pp. 112-114).

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

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

 See:

- ✓ “2017 Reference Document” ([https://r.lvmh-static.com/uploads/2018/03/lvmh_ddr_va_2017-
interactif.pdf](https://r.lvmh-static.com/uploads/2018/03/lvmh_ddr_va_2017-interactif.pdf)):
 - “History” and “Financial Highlights” (pp. 1 and 2)
 - “Business description” (pp. 9-22)
- ✓ “2017 Annual report” (https://r.lvmh-static.com/uploads/2018/03/lvmh_ra_2017-va.pdf):
 - “Responsible Initiatives in 2017” (pp. 13-17)
 - “A responsible model dedicated to excellence” (pp. 23-43)
 - “Non financial performance measures” (pp. 134-135).
- ✓ “2017 Environmental Report” ([https://r.lvmh-
static.com/uploads/2018/04/lvmh_environment_2017en.pdf](https://r.lvmh-static.com/uploads/2018/04/lvmh_environment_2017en.pdf)):
 - “The framework for action” (pp. 10-17)
 - “Note on the methodology of environmental reporting” (pp. 51-60).
- ✓ “2017 Social Responsibility Report” ([https://r.lvmh-static.com/uploads/2018/06/lvmh-2017_social-
responsibility-report.pdf](https://r.lvmh-static.com/uploads/2018/06/lvmh-2017_social-responsibility-report.pdf)):
 - Introduction of the report (pp. 4-21)
 - “Reporting methodology” (pp. 93-97)
- ✓ “LVMH Snapshot – 2017 figures” (January 2018)
(https://r.lvmh-static.com/uploads/2018/01/snapshot-2017_va.pdf)
- ✓ “Snapshot shareholders 2017” (February 2018)
(<https://r.lvmh-static.com/uploads/2018/02/snapshot-actionnaires-2017-va.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



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.

LVMH supports the SDGs initiative and wishes to participate in the efforts made.

1. Like Bernard Arnault (Chairman and Chief Executive Officer) explains in his statement, it is the duty of LVMH as the world leader in luxury to be exemplary. Because the Group aims to sustainably guarantee the fate of future generations, SDGs are a clear contribution to LVMH CSR Strategy.

2. Several SDGs represents an opportunity for the Group in order to:

- share common values and objectives all over the world with our employees and our stakeholders ;

- mitigate our strategic and operational risks: Group's image and reputation, better anticipating expectations of customers, better managing strategic human competencies, better ensuring compliance by our business activities with societal and environmental impacts, better taking into account expectations and satisfaction of employees ; respect of human rights and health & safety of persons, etc.
- improve the peace, the exchanges and the stability between all geographic region: events likely to reduce the exchanges (geopolitical instability and insecurity, weakening of the economic environment, climate change, natural disasters, etc.) could have an adverse impact on Group activities.

☑ 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.

1. Commitment: For the second year, LVMH publishes tables summarizing its contribution to the SDGs. [See "2017 Environmental Report" (pp. 10-11) and "2017 Social Responsibility Report" (p. 11).] In the continuity of SDGs, LVMH Group supported previously, since 2007, the United Nation's Millennium Development Goals.

2. Materiality: These tables remind that the business activities and corporate responsibility policy have a link with most of goals and, in some cases, a "strong contribution" with some goals. This approach is coherent with the ESG analysis and our dialogue with stakeholders and rating agencies allowing to identify key priorities, trends and changes for each business group.

- Concerning for example "environmental issues", LVMH has launched a review aimed at **assessing the contribution to the SDGs** of its own strategic Program called "LIFE". More than 150 measures, covering 12 objectives and 34 targets, have been reviewed in detail. Analysis showed that the Group made a particularly large contribution particularly in two areas: responsible consumption (Goal 12) and combating climate change (Goal 13). But the COP 2018 demonstrates how the other goals are also taken into account.
- Within the **CRITERION 1**, the COP 2018 presents very clearly the commitments and objectives related to the Group's strategy:
 - Environmental LIFE 2020 program
 - the 4 pillars of the Group's social responsibility strategy
 - the policies linked to the implementation of the Law of March 27, 2017 concerning the duty of reasonable vigilance by parent and ordering companies that has resulted in improved identification of risks and helps to prevent serious abuses of human rights and fundamental liberties, health and safety of persons, and the environment. This new regulation gave the opportunity to revise the presentation of "Management of non-financial and financial risks" particularly linked to the "value chain implementation".
- Through the **CRITERION 12**, the COP 2018 describes how the year 2017 was mainly committed by the law n° 2016- 1691 of December 9, 2016, known as the Sapin II Law (combating corruption).
- As a last example, the **CRITERIA 16 and 18** give a comprehensive approach of the wide diversity of initiatives, projects and partnerships having a positive impact upon the society and local communities.

☑ 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.

The LVMH Reports and the “COP 2018” include different informations, policies and indicators/KPIs concerning the issues taken into account by SDGs.

As examples of our initiatives and programs:

- **SDG1.** Actions supporting vulnerable, marginalized or underserved populations.
- **SDG2.** Actions concerning sustainable viticulture and ethno-botany. As an example, in terms of food waste, La Grande Épicerie de Paris has several fresh food production workshops where fresh food is concerned. The Maison has developed an accurate sales forecasting system in order to adjust production to production volumes on a daily basis. A partnership has been entered into with the French Red Cross, which collects the unsold production every day.
- **SDG3.** Improving health & safety and quality of life in the workplace and in the supply chain.
- **SDG4.** Supporting integration through employment ; apprenticeship of young people ; protection of critical know-how ; supporting disadvantaged persons, women and children through education, health and self-confidence ; supporting populations in emergency situations...
- **SDG5.** Promoting gender equality in the workplace and society ; preventing all discriminations (peoples with disabilities, older workers...).
- **SDG6.** Water consumption and supply according to local constraints (example of areas where water stress is close to 100%, meaning that water requirements in these areas are close to the level of available resources).
- **SDG7.** Measures taken to reduce energy consumption, to improve energy efficiency and renewable energy use.
- **SDG8.** Through its activities, LVMH participates in the regional development of the areas in which it operates: jobs creation and regional development ; supporting SMEs and start-ups ; addressing the specific social and economic needs of the regions ; suppliers' responsibility.
- **SDG9.** Sustainable construction and renovation ; soil use ; prevention of losses such as fires, water damage or natural catastrophes.
- **SDG10.** As an example, at Group level, as part of a project looking at the possibility of standardizing healthcare benefits, the “Coeur Social” program provides for the introduction of common core benefits. Other example, International salary surveys, in relation to specific professions and sectors, are carried out annually and around the world to ensure that the Group maintains a favorable position against the markets. Variable components of compensation, based on the financial performance of the employing company and achievement of individual targets, ensure that performance is fairly rewarded. Initiatives and tools specific to each entity are put in place to reduce any salary gaps between women and men within the same professional category.
- **SDG11.** Security and accessibility of stores ; contribution to sustainable cities (GHG Emissions, green transport,...).
- **SDG12.** Environmental design ; securing access to strategic raw materials and supply channels ; preserving biodiversity ; product life span and reparability.
- **SDG13.** Reducing greenhouse gas emissions ; promotion of renewable energy.
- **SDG14.** Adapting to climate change ; prevention of pollution and waste management, water and soil discharges ; promotion of eco-design particularly in terms of refills in order to reduce packaging ; as an example, Kenzo support the “Blue Marine Foundation”.
- **SDG15.** Strategy for Biodiversity ; preservation and certification of strategic raw materials ; material and product traceability and compliance.
- **SDG16.** LVMH Group ensures that its practices reflect the highest standards of integrity, responsibility and respect for its partners (Code of Conduct, fight against corruption and influence peddling, Internal Competition Law Compliance Charter, risk management and duty of reasonable vigilance,...).

☑ 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.

1. Some SDGs are clearly integrated in our **business model**, like SDG 12 (“Ensure sustainable consumption and production patterns.”) and SDG 13 (“Take urgent action to combat climate change and its impacts.”). Thus, protecting natural resources is both an imperative and an opportunity for our Group. It is an imperative, because our business activities depend directly on ecosystems, on the quality of our raw materials and our supply chains: we are genuinely striving to secure our company's long-term future, while our position as the leading global luxury goods group requires us to set an example. It is an opportunity, because protecting the environment is not a restriction for us, but an innovation driver that constantly broadens our development, attractiveness, performance and furthermore our ability to be resilient and adapted to societal issues.
2. Because the “**value chain implementation**” is central for the business model of LVMH, the presentation by the COP 2018 of the CRITERIA 1 and 2 aims to better understand the different issues for our activities.
3. For example, our answers to different issues (for example CRITERIA 6-8 / Labour Management and CRITERIA 9-11 / Environmental stewardship) includes a large choice of **informations, indicators and KPIs which demonstrate the robustness of our strategy**.

☑ 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.”

1. As an example of societal impact promoted by the SDGs, since October 2012, LVMH is fully involved in the implementation of the french “National Strategy for Biodiversity”. LVMH has been awarded 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. **This project allows to better recognize the right of “indigenous population”**.
2. Another example, the involvement of each company in the **stake of “adapting to climate change”** is crucial for the planet. Thus, LVMH has also reviewed the various issues in this area. In the medium term, changing winegrowing practices is the main component of the Group's adaptation strategy. Several solutions are available for European vineyards depending on the extent of climate change, from altering harvest dates to developing different methods of vineyard management (wider rows, increasing the size of grapevine stocks, employing irrigation in certain countries, etc.) and testing new grape varieties. For vineyards in Argentina and California, the main issue is the availability of water (see §3.1, “Water consumption and supply according to local constraints”). Finally, according to current scientific knowledge, vineyards in New Zealand and western Australia are the least susceptible to climate change.

☑ 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

LVMH participates regularly to **professional exchanges** organized by different stakeholders concerning the improvement of SDGs implementation (French Government, Comité 21, ORSE, EpE, Orée,...) and the publication of different guides sharing best practices.

By reminder, LVMH is member of “**Global Compact France**” in which are discussed the issues of SDGs integration and of business reporting.

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

- **Sustainable Development Goals (SDGs):** The “Environmental Report 2017” (p. 10) and the “2017 Social Responsibility Report” (p. 11) present the different contributions of LVMH to the Sustainable Development Goals” (SDGs).



• **Strategy:**

- The strategic **LIFE Program** (LVMH Initiative For the Environment) [📖 See “2017 Environmental Report” (pp. 10-15)] is based on:
 - **nine challenges** that are key to the Group’s environmental performance, from product design, the procurement of raw materials, industrial, the transportation and sale of products. For each challenge selected, annual improvement objectives have been set. The Maisons have then implemented the action plans to achieve them, accompanied by indicators that monitor the results. The main challenges for each business sector include, for example: saving water for Wines and Spirits; the lighting and air-conditioning of stores for Fashion and Leather Goods; the eco-design of packaging for Perfumes and Cosmetics; the managing of waste electrical and electronic equipment for Watches and the preservation of precious stones and metals for Jewelry; and the transportation of products for the Selective Retailing sector.
 - **four shared targets to be achieved by 2020 (the baseline year being 2013):** sustainable product design ; suppliers and raw materials ; cutting energy- related CO₂ emissions by 25%; make all production sites and stores more environmentally friendly.
 - ✓ **sustainable product design:** by 2020, Group companies must make all their products more environmentally friendly. LVMH’s Perfumes and Cosmetics companies and Wines and Spirits companies undertake to improve their Environmental Performance Index (EPI) score by 10%. Fashion and Leather Goods companies and Watches and Jewelry companies establish 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 by 2020 and 100% by 2025 ;
 - ✓ **cutting energy-related CO₂ emissions by 25% ;**

A specific study assessing the environmental impact of the production of raw materials and the supply chain was performed in 2016. Half the emissions across the Group’s quantified value chain are generated by the production of raw materials, and 30% by upstream and downstream transportation. These are followed by emissions produced by the Maisons’ manufacturing sites, logistics centers, offices, and stores (20%), whether these emissions are direct (scope 1) or indirect (scope 2).
 - ✓ **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 their 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% according to the LVMH Store Guidelines score chart.
- 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.

- **The four pillars of the Group’s social responsibility strategy** [📖 See “2017 Social Responsibility Report” (pp. 13 and 16)]:
 - Based on an analysis of the challenges facing the Group and interactions with its stakeholders, LVMH has identified four priorities for all its companies that form the foundation of the Group’s social responsibility initiatives throughout the world:
 - ✓ developing talent and skills
 - ✓ constant attention to working conditions
 - ✓ preventing all forms of discrimination while respecting individuality
 - ✓ community engagement to help local populations.
 - These Group priorities are also shared by all Group companies. They provide all companies of the LVMH group with an overall framework for action, leaving them free to identify other priorities specific to their business and environment, and to draw up their own action plans. Group companies implement their approach independently and in coordination with the Group, in accordance with their business, their own human and societal issues and their local contexts.
 - As part of its annual reporting, the LVMH group sends all its companies a qualitative questionnaire that includes the following question: “What are your CSR priorities?” In 2017, all Group companies with a significant impact on Group reporting, thus some 50 entities, showed once again that the four social responsibility priorities defined by the Group were indeed taken into account.

2. Management and control of actions:

2.1. Responsibility for control and implementation:

- To ensure effective dissemination and respect for the principles and values set out in this Code of Conduct, LVMH has established corporate governance aligned with the profile of the Group and its operational realities. [📖 See "LVMH Code of Conduct" revised in 2017 (pp. 25-26).] This organization is based on:
 - International charters and agreements signed by LVMH that 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.
 - A **Board of Directors’ Ethics and Sustainable Development Committee** whose duties are: to contribute to the definition of rules of conduct inspiring the Group’s executives and employees in the areas of ethics, corporate social and environmental responsibility; to ensure the respect of these rules; to review the Group’s strategy and reports in these areas.

In 2017, the Board of Directors appointed a new independent member to the Ethics and Sustainable Development Committee Three of its members are Independent Directors. The Committee met once during the year, with an attendance rate of 75%. During the meeting, the Director of Legal Affairs presented the draft revised version of the Group’s Code of Conduct, outlining (i) the conduct rules that each employee must uphold within the LVMH group in terms of business ethics, corporate responsibility and environmental protection, and (ii) the individual and collective values guiding all LVMH’s actions. [📖 See “2017 Reference Document” (page 134).]
 - An **Ethics and Compliance Director**, reporting to the Group Managing Director, and an Ethics and Compliance Commission comprising representatives of different LVMH corporate departments

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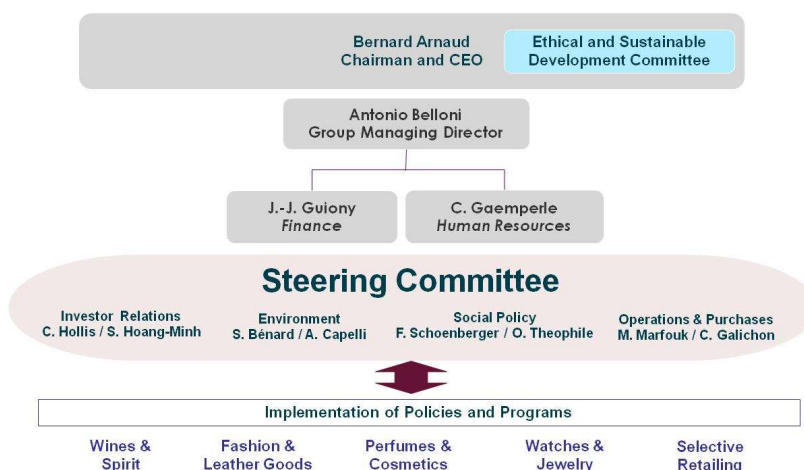
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(human resources, finance, operations, purchasing, audit and internal control, environment, legal and communications). This Commission is specifically responsible for promoting the principles set out in the Code of Conduct, for driving the development of best practices in these areas, ensuring compliance with the Code, analyzing and ranking the seriousness of risks identified via a regularly reviewed mapping, contributing to compliance and due diligence audits of partners and managing the functioning and tracking of the alert procedures put in place within the LVMH Group. In this respect, an annual report on implementation of the principles of the Code of Conduct will be submitted to the Ethics and Sustainable Development Committee.

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- A **network of Ethics and Compliance correspondents** appointed at each Maison to encourage experience sharing, sharing of best practices and consistent and uniform application of the principles and values promoted by the Code of Conduct.
- The governance structure also includes:
 - A **network of Social Responsibility correspondents** appointed within the Maisons, which meets several times each year to structure initiatives to be taken and allow the Maisons to adopt and adapt these initiatives to reflect their specific values, business environment and the expectations of their employees and customers.
 - An **Environment Committee** comprising environment correspondents from the Maisons, which meets several times each year. This Committee provides a forum for exchanges of ideas and discussion of environmental performance opportunities and issues, as well as the LIFE program.
 - A **Supplier Sustainability Day**, which each year brings together purchasing, branch managers and managers responsible for supplier relations from the Maisons. These meetings review priority issues, launch new initiatives and cascade best practices within the Group.
 - A **network of Internal Control correspondents** headed by the Audit and Internal Control department, responsible for coordinating implementation of internal control and risk management procedures. Within the different Maisons, these correspondents are responsible both for ensuring compliance with the Group’s internal control procedures and for carrying out internal controls of their businesses and functions.

2.2. Steering Committee: In order to ensure CSR implementation and compliance a dedicated **Steering Committee** has been put in place. 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.



• **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.

- LVMH’s historical commitment to the environment explains why the company was one of the first to set up a **Department dedicated to the Environment**.



- This pioneering body was **set up in 1992**, the year of the Third Earth Summit organized in Rio, Brazil.
- The Department reports directly to **Antonio Belloni, the Group’s Deputy Chief Executive Officer**, and now includes about a **dozen experts**.
- LVMH’s Environment Department has been charged with instilling a shared view, and with setting the broad lines of action in all areas relating to the protection of natural resources. It implements the LIFE Program, acts as an interface between the Executive Committee and the Maisons’ management teams, and coordinates cross-divisional initiatives. It steers the global environmental reporting process and ensures that the commitments made are respected. The Department also helps the Maisons implement successfully their own environmental policy, and offers each Maison useful information, practical tools, and tailor-made support.
- LVMH’s Environment Department works very closely with a **network of Environment Officers at the Group’s Maisons**. To act effectively, the company has in fact prioritized an organizational structure that is both decentralized and unified, which unifies various activities and businesses with highly specific features, without standardizing them. The network of Environment Officers now includes about **60 men and women** from diverse backgrounds: agronomists, finance managers, communications specialists, and packaging specialists, etc. They all share a high level of environmental expertise and one mission: to back, convey and roll out the LIFE Program within their Maison. Several times a year, the Environment Department gathers these Officers together in **Environment Committee meetings**. These regular meetings are special occasions for exchanging views and learning from each other. They enable the attendees to be updated on the rollout of the LIFE Program and the achievement of its objectives, to share best practices, and to meet international experts on specific subjects such as the new energies.
- In order to supplement and extend these meetings, the Environment Department, as it does every year, has organized **specialist in-house working groups**, such as groups dealing with eco-design or the environmental management of the stores.

Like the Group, some Maisons have adapted their organizational structure in order to implement their environmentally-friendly initiatives successfully.

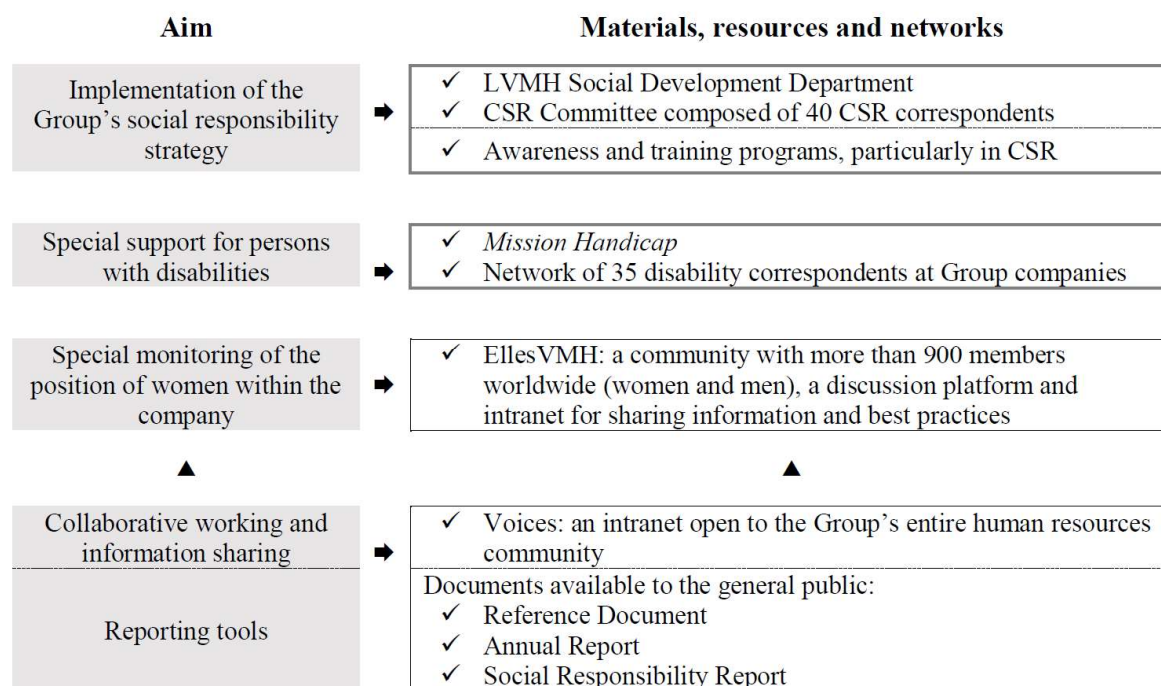
- **Louis Vuitton** has entrusted its environmental strategy to a specific department and has set up steering groups on subjects such as recycling, energy, or the ISO 14001 environmental certification. The initiatives, once launched, are taken over by about 100 officers at Head Office, in the workshops and in the geographic business regions, where local Green Teams have recently been created to bring

together the key environmental performance functions. The Maison also has a network of CSR ambassadors in countries such as Japan, China, Italy and Switzerland. In some countries (China, for example), these ambassadors are supplemented by a network of officers in each store: the green advisors.

- **Guerlain** has set up a Sustainable Development Division, as well as a dedicated committee that includes 18 employees from all its divisions.
- **Fendi** has set up a LIFE Committee, which is attended by representatives of all its departments.
- **Hennessy** organizes an Environment Committee twice a year, which is attended by 40 people who represent all its departments. The Maison has also set up three environmental subcommittees, which focus on production and shipment, administration, and spirits respectively.
- On **September 20, 2017** LVMH celebrated the **25th anniversary of its Environment Department** at two evening events named “Future LIFE”. This anniversary brought together the Maisons’ Chairmen, as well as the community of experts that works on protecting natural resources on a daily basis within the Group. It provided an opportunity to review LVMH’s pioneering environmental initiatives between 1992 and 2016. The event also focused on the future, via the presentation of the **LIFE 2020 Program**, which will enable the company to go further along the path of environmental excellence in coming years. The evening was also marked by an announcement that **the size of the internal Carbon Fund set up by LVMH** in late 2015 would be doubled as from 2018.

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- **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.
- **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.

2.3. 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.

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 29 members, has one full meeting every year. Delegates meet with the Presidents of all the Group’s business groups to hear about and discuss the Group’s strategic direction, economic and financial issues, and employment-related matters.
- The SE Works Council handles cross-border issues at the European level. 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 (Societas Europaea) was the natural extension of the economic reality of LVMH’s business. Against this backdrop, the Group formed an SE Works Council made up of 28 members from the 21 European Union countries (along with Switzerland) in which it operates. The rules for this representative body are laid down in an agreement that was unanimously approved on July 7, 2014 by elected employee representatives from those 22 countries and by the Group’s Executive Management.

In 2017, the SE Works Council held a plenary session on April 7 and the 2018 meeting has been held on April 25, 2018.

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3. Incentive schemes:

- Certain Group companies have implemented an incentive program with assessments based on **ESG (Environmental, Social and Governance) performance criteria**.

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For example, a new three-year (2017, 2018 and 2019) profit-sharing plan agreement was signed at Parfums Christian Dior on **June 30, 2017**. For the first time, the agreement was signed by all representative trade union organizations and reconfirmed the principle of indexing the rate of profit-sharing to the performance of the company's VMDM indicator, corresponding to the percentage of brand waste recycled. The previous agreement signed in June 2014 resulted in a very significant increase in the amounts paid out in 2015, 2016 and 2017. Veuve Clicquot and Krug also take environmental criteria into account in their profit-sharing agreements, such as control of water and energy consumption and waste recycling.

- 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**

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

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

The implementation of the Law of March 27, 2017 concerning the duty of reasonable vigilance by parent and ordering companies has resulted in improved identification of risks and helps to prevent serious abuses of human rights and fundamental liberties, health and safety of persons, and the environment. This new regulation gave the opportunity to revise the presentation of "Management of non-financial and financial risks" particularly linked to the "value chain implementation".
 [📖 See "2017 Reference Document" (pp. 43-66)]

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- “1. Group Ethics and Code of Conduct”:

- **1.1. Compliance with international conventions:** Since 2003, the LVMH group has shown its support for universal values as a signatory of the United Nations Global Compact. It is committed to aligning its operations and its strategy with ten principles related to human rights, working standards, respect for the environment and the fight against corruption. LVMH also supports the Universal Declaration of Human Rights, OECD guidelines, the International Labor Organization’s Fundamental Conventions, the United Nations’ Millennium Development Goals and Sustainable Development Goals, Women’s Empowerment Principles, and the French Diversity Charter.

- **1.2. Codes of conduct and principles:**

- **1.2.1. The LVMH Code of Conduct:**

The common foundation of the Group and its companies, the Code of Conduct adopted in 2009 and disseminated to all employees was revised in 2017 in order to reassert, specify and refine the principles of conduct intended to guide the actions of all employees. The revised Code sets out all of the principles to be implemented by the Group in conducting its activities. It outlines the rules to be followed by all employees in their roles and responsibilities, with a special emphasis on the high level of integrity demanded of everyone. In particular, the Group applies a “zero tolerance” policy towards corruption. Lastly, the Code guarantees consistency and ongoing improvement in the practices of all Group companies.

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It is based on the following six core principles:

- acting responsibly and with solidarity ;
- offering a fulfilling working environment and making the most of talented people;
- committing to protecting the environment ;
- earning customers’ trust ;
- earning shareholders’ trust ;
- making concrete and promoting integrity in business conduct.

In addition to the Code of Conduct, a series of **internal documents** has been put together that aim to guide employees of the Group and Group companies in implementing the Code on a day- to- day basis: the guiding principles. These documents, which can also be accessed by employees on the Ethics and Compliance Intranet, constitute reference guides for certain topics relating to business ethics.

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- **1.2.2. Supplier Code of Conduct:**

The Supplier Code of Conduct was revised in 2017 in order to provide more details about the principles of conduct expected of suppliers, particularly in terms of professional integrity.

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The revised Code specifies **requirements** relating to labor (prohibition of forced labor, child labor, harassment, discrimination, provisions regarding pay, working hours, freedom of association, health and safety), environmental provisions, business conduct (in particular relating to legality, customs, security and subcontracting) and measures to prevent and combat corruption and influence peddling that must be respected by suppliers and any subcontractors in managing their business.

The Supplier Code of Conduct specifies that suppliers of LVMH and Group companies are **guarantors of the work carried out by their own subcontractors and suppliers** and guarantee that the latter comply with the principles set out in the Code as well as relevant obligations.

It also gives LVMH an **audit right** that allows it, as far as possible, to ensure that these principles are effectively observed.

If the Supplier Code of Conduct is violated by one of its suppliers or a supplier or subcontractor of a supplier, LVMH or the Group company concerned reserve **the right to review and, possibly, end the commercial relationship subject to the conditions provided by law.**

- 1.2.3. Other LVMH charters and strategic policies have been already implemented: “**Environmental Charter**”, “**LVMH Recruitment Code of Conduct**”, “**Internal Competition Law Compliance Charter**”, “**Internal IT Systems Security Charter**”...
- 1.2.4. Definitions and objectives of risk management and internal control.

• “**2. Risk Identification**”:

○ 2.1. Strategic and operational risks

- 2.1.1. Group’s image and reputation
- 2.1.2. Counterfeit and parallel retail networks
- 2.1.3. Contractual constraints
- 2.1.4. Anticipating expectations of Group customers
- 2.1.5. International exposure of the Group
- 2.1.6. Seasonality
- 2.1.7. Strategic competencies
- 2.1.8. Information systems
- **2.1.9. Industrial, environmental and meteorological risks:** 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. Continuous improvement in the quality of risk prevention is an important factor taken into account by insurers in evaluating these risks and, accordingly, in the granting of comprehensive coverage at competitive rates.

This approach is combined with an industrial and environmental risk monitoring program. **In 2017, engineering consultants audited about 55 sites.** In addition, prevention and protection plans include contingency planning to ensure business continuity. Lastly, financial risks relating to the effects of climate change as well as measures adopted to mitigate those risks. [📖 See “2017 Reference Document” (pp. 99-111)].

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- ✓ The majority of the **nine themes and objectives** of the **LIFE 2020** environmental strategic program also include a dimension relating to supply chains, such as for example eco-design, traceability and compliance of materials or reducing greenhouse gas emissions, which result in the need to develop multiple collaborations with our partners. Two other issues impact LVMH’s activities in particular, namely securing access to strategic raw materials and supply channels, and the environmental and social responsibility of suppliers.
- ✓ In 2012, the Group reinforced its various decision- making support and training tools to help identify suppliers that might need to be audited. The approach used enables each Group company to identify high- risk suppliers on the basis of a number of criteria including the purchasing category, the strategic importance of the products in question, and the supplier’s degree of financial dependency and geographical location. The Group has launched a **new methodological project** with the aim of enhancing and updating its scoring of countries in which suppliers are based.
- **2.1.10. Health and safety of persons:** In the case of the LVMH group, risks relating to the health and safety of persons concern primarily employees and consumers.

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- **2.1.11. Human rights and fundamental liberties:** The Group encourages ongoing improvement in social and health conditions, which are key factors in the development and protection of the rights of people. In this regard, LVMH identifies two levels of issues that can violate human rights and fundamental liberties.
 - ✓ Internally, LVMH takes account of principles relating to fundamental rights at work:
 - ✓ Externally, LVMH is committed to demonstrating vigilance in identifying the potential negative effects – whether direct or indirect – of its business activities on society in order to prevent these effects and, if applicable, remedy them.

- 2.2. Financial risks.

- **“3. Assessment and control procedures in place”:**

✓ The **Management Committees of Group companies and subsidiaries** are responsible for implementing and ensuring the smooth running of internal control systems across all operations within their scope. The Management Committees of the Group companies are also in charge of the system for managing major risks; they review the risk mapping each year, assess the level of control as well as the progress of risk coverage strategies and the associated action plans.

✓ **The Enterprise Risk and Internal Control Assessment (ERICA) approach:** Since 2015, this approach has been rolled out across all of the Group’s brands. It comprises in particular annual mapping of the major risks for each brand and self- assessment of 69 key controls taken from the internal control guidelines by all Group entities at least every three years. During this three- year period, the Group actions self- assessment across a limited number of entities that is revised each year. Group companies have full autonomy to extend the process across the scope that they deem appropriate.

✓ **Training:** The Group has adopted appropriate training tools. These training programs are defined in terms of their content and the choice of employees concerned on the basis of risk mapping (in terms of regions, activities, business line and job profile), particularly for training for managers and Group employees who are most exposed to the risk of corruption.

- 3.1. Organization

- 3.1.1. Organization of the risk management and internal control system

- 3.1.2. System stakeholders:

- Group governing bodies [Performance Audit Committee, Board of Directors, Ethics and Sustainable Development Committee, Executive Committee]
- First line of defense [Operational management, Management Committees of Group companies and Subsidiaries]
- Second line of defense [Ethics and Compliance Department, network of ethics and compliance officers, Group Legal Department, Corporate Affairs Department, Environment Department, Group Risk Management and Insurance Department, Internal Control Department, Protection of Assets and Persons Department, Employee Safety Committee, Equivalent departments at brand or business group level]
- Third line of defense [Audit and Internal Control Department]
- External stakeholders

- 3.1.3. Organization and parties related to financial and accounting information [Accounting and Consolidation function, Management Control, Information Systems Department, Corporate Finance and Treasury, Tax Department, Financial Communications Department]

- 3.2. Internal standards and procedures:

- Via its **Ethics & Compliance Intranet**, the Group disseminates to the holding company and all Group companies a set of codes, charters and principles intended to guide all Group companies and their employees in conducting their activities.
- Through its **Finance Intranet**, the Group provides access to all rules and procedures concerning accounting and financial information, applicable to all subsidiaries. The Finance Intranet is also used for the dissemination of **internal control principles and best practices**.


The “**Major Risks**” section of the Finance Intranet brings together procedures and tools for assessing, preventing and protecting against such risks.

- 3.3. Information and communication systems
- 3.4. Accounting control procedures (internal and external)
 - 3.4.1. Accounting and management policies.
 - 3.4.2. Consolidation process.
 - 3.4.3. Management reporting.
- 3.5. Formalization and management of risk management and internal control systems:
 - 3.5.1. The Enterprise Risk and Internal Control Assessment (ERICA) approach
 - 3.5.2. Management of major risks and of the internal control system
- **3.6. Procedures for regular assessment of subcontractor and supplier situations:** The Group implements verification audits and due diligence measures among its stakeholders in order to help to identify, assess and anticipate the risks and opportunities for improvement, and thereby ensure more in- depth knowledge of its partners. These procedures allow the Group to verify that the performance of its partners is in line with its own requirements and respects the best practices set out in the Code of Conduct, in particular as regards ethics, social issues, environment and respecting human rights. By means of the controls performed, the Group can also help its partners to implement and comply with best practices in order to resolve minor cases of non- compliance. These measures and their implementation are included in agreements between the Group and its partners.
LVMH group companies structure their approach to suppliers in three stages: identifying the most at-risk suppliers, selecting key product categories within each business group and developing an ongoing social and environmental audit program.

- **3.6.1. Identification of at-risk suppliers:** The approach for identifying at- risk suppliers takes account of various fields of analysis. In 2012, the Group reinforced its various decision- making support and training tools to help identify suppliers that might need to be audited. The approach used enables each Group company to identify high- risk suppliers on the basis of a number of criteria including the purchasing category, the strategic importance of the products in question, and the supplier’s degree of financial dependency and geographical location.

✓ **Strategic supply sources:**

- The attractiveness of the Group’s products depends, from a quantitative and qualitative standpoint, on being able to ensure adequate supplies of certain raw materials. In addition, from a qualitative perspective, these products must meet the Group’s exacting quality standards. This mainly involves the supply of grapes and *eaux- de-vie* in connection with the activities of the Wines and Spirits business group; leathers, canvases, wools and furs in connection with the activities of the Fashion and Leather Goods business group; and watchmaking components, gemstones and precious metals in connection with the activities of the Watches and Jewelry business group. In order to guarantee sources of supply corresponding to its demands, the Group sets up preferred partnerships with the suppliers in question. Although the Group enters into these partnerships in the context of long- term commitments, it is constantly on the lookout for new suppliers also able to meet its requirements.
- By way of illustration, an assessment of the risk that a vendor may fail has been carried out and good practices have been exchanged, leading notably to implementing the policy of splitting supplies for strategic Perfumes and Cosmetics products.
- 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.


Breakdown of supply sources:  The "2017 Reference Document" indicates for each business group different examples:

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- Pages 11 and 13: resources purchased from non-Group suppliers:
 - “In 2017, the champagne houses used subcontractors for about 25 million euros of services, notably pressing, handling, and storing 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, 19 and 20 the % of subcontracting allowing to analyze the dependence on specific suppliers:
 - the use of subcontractors for Fashion and Leather Goods operations represented about 33 % of the cost of sales in 2017 ;
 - manufacturing subcontracting represented for Perfumes and Cosmetics overall about 6 % of the cost of sales in 2017, plus approximately 11 million euros for logistics subcontracting ;
 - for Watches and Jewelry, subcontracting represented 10 % of the cost of sales in 2017.

Main raw materials consumed by the Group:

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 See “2017 Reference Document”.]

- grapes (see page 107 § “3.4. Soil use”) ;
- leathers, raw lamb and calf skins, and exotic leathers (see page 110 § “5. Protecting biodiversity”) ;
- plant species (see page 110 § “5. Protecting biodiversity”);
- gemstones and precious metals (see page 101 § “1.1. Evaluation and certification programs and organization”) ;
- regulated chemicals. All Group companies have incorporated the requirements of the REACH Commission Regulation into their contractual documents so as to engage all suppliers in this undertaking.

- ✓ **Geographical exposure:** In late 2017, identification of at- risk suppliers was enhanced by means of a new methodological project to specify the different levels of geographical exposure for the activities of LVMH and Group companies on the basis of three issues: corruption, human rights and environment. 2017-18
 - Each mapping allows for levels of risk to be viewed for each country with regard to Group companies’ administrative, production and distribution activities.
 - This methodological project has been carried out with the help of an external consulting firm using an external database containing ten years’ worth of information about countries and products, as well as economic, environmental, political and human rights- related issues.
 - This data has been cross- referenced with qualitative and quantitative information provided internally by Group companies, such as the level of activity, amount of procurement by category, number of stores and number of employees in each country. This methodological project will be updated regularly.
- **3.6.2. Targets relating to specific challenges for groups of activities:** Each company and Business Group have developed a number of initiatives relating to materials and supplies that are considered key.  See “2017 Reference Document” (pp. 59-61).] 2017-18

Two of the four shared targets strategic **LIFE 2020 Program** to be achieved by 2020 (the baseline year being 2013) are particularly linked to the supply chain:

- ✓ **Sustainable product design:** By 2020, Group companies must make all their products more environmentally friendly. LVMH’s Perfumes and Cosmetics companies and Wines and Spirits companies undertake to improve their Environmental Performance Index (EPI) score by 10% [See “§3.2. “Consumption of raw materials” in “2017 Reference Document” page 106)]. Fashion and Leather Goods companies and Watches and Jewelry companies establish 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 by 2020 and 100% by 2025. This “supply chains and suppliers” objective involves all the company’s business sectors, but in different ways, given their respective challenges.

- **3.6.3. Supplier audit and assessment processes:** At Group level, 1,497 social and / or environmental audits were carried out in 2017 – more than 80% of them by specialized external service providers – at 1,015 of the Group’s suppliers. Of these audits, 58% related to both social and environmental criteria. 55% of audits carried out were in line with the Group’s requirements, 30% found minor instances of non- compliance, 12% highlighted a need for significant improvement by suppliers and 3% found major instances of non- compliance.

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- ✓ Non- compliance issues identified related primarily to Health & Safety. In all, 570 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 2017, 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 26 such cases in 2017.
- ✓ In the interest of continued improvement in this area, in 2018 Group companies continued to audit suppliers and follow up on action plans as well as developing synergies arising from the Group’s membership of **Sedex**. In 2017, the LVMH group, as well as the Perfumes and Cosmetics business group and Louis Vuitton, also joined forces with **EcoVadis** in order to develop an even more exhaustive approach to controlling their supply chains. The Group will also aim to strengthen the working groups for each of its businesses to best reflect their specific characteristics and requirements.

	Europe	Asia	North America	Other ^(b)
Breakdown of suppliers <i>(as %)</i>	71	17	9	3
Breakdown of audits ^(a) <i>(as %)</i>	71	24	1	4

(a) Of which 57% initial audits and 43% follow-up audits.

(b) Including Africa.

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

✓ Louis Vuitton has designed a tailor-made training course for its buyers and industrial developers in order to support the rollout of its environmental audit program for suppliers and subcontractors. The latter program is going on, with about 100 assessments made, covering all the businesses including the merchandising activities. Four tanneries, six

electroplating companies, and six companies in the textile sector were specifically audited in accordance with a highly demanding protocol of audits to ensure that there is no impact on the natural environment caused by water discharges.

✓ As a result of these audits conducted since 2015, Sephora has prepared about 30 audit follow-ups, which have resulted in improvement plans. In the United States, the Maison has launched a program aimed at inspecting suppliers' plants in Asia: the challenge is to identify and root out obstacles to environmental performance.

✓ In Poland, Belvedere took part in a dozen seminars organized as part of the huge program launched with spirit suppliers and scientists in order to improve the quality of supply.

✓ For many years, **industry audits have enabled the company to validate, in the field, its suppliers' sustainable practices and the quality of the raw materials obtained.** The audits conducted to date have covered the plants used in cosmetics in Asia (Thailand and China) and Africa (Madagascar and Burkina Faso), the cashmere produced in Mongolia, and the crocodile species in several countries, as well as small local mines in Peru. This policy is backed up by the audits initiated by the Maisons themselves.

- “4. Lines of defense”:

- 4.1. Appropriate actions to mitigate risk or prevent serious attacks

- 4.1.1. Insurance Policy

- 4.1.2. Fraud prevention and detection

- **4.1.3. External and internal actions to support suppliers**

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- **4.1.3.1. Supplier support actions:**

- ✓ 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 corporate social responsibility issues specific to their business.

- ✓ For a number of years, **Group companies have provided their suppliers with tools to help them** for example better understand their regulatory obligations relating to REACH (the EU chemicals regulation) and to make progress in this regard.

- 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.

- For example, in 2017 **Sephora** was particularly active in its two major supply categories [indirectly and on behalf of its own brand (S+)] providing CSR coaching and training for its main suppliers in order to help them to improve their performance in annual reassessments.

✓ **Example of the “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.

- 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.

- LED exhibitions, such as the one held at **Tokyo, Japan on April 26, 2017**, are also organized every year. As LED is a technology that is still recent and has not been standardized,

2017-18

LVMH Lighting also helps the Maisons to install systems. An e-commerce website (lvmhlighting.com), which was placed online in 2014, now offers their teams and installation staff more than 600 innovative, efficient, and cost-effective solutions.

- The Group is also contributing to the emergence of high-quality solutions with proven performance and easy to maintain via two organizations of which it is a founding member: the **LED End-Customers Club**, and **Certiled**, a forum for discussions with manufacturers.

[📖 See “2017 Environmental report” (pp. 40-41)]

✓ **Example of Socially Responsible Procurement :**

Partnerships with companies that employ people with disabilities:

2017-18

- Services entrusted to organizations or companies in the sheltered and supported employment sector: **EUR 7.1 million** in 2017, **up +7.6%** relative to 2016 (EUR 6.5 million).

- Corresponding number of external jobs: **368 FTE** (full-time equivalent), **up +18%** in 2017 relative to 2016 (312 FTE) following a very sharp year-on-year increase in 2016 (156 FTE in 2015)

[📖 See “2017 Social Responsibility report” (pp. 69 and 73).]

✓ **Example of promoting startups :**

The LVMH Innovation Award was presented at the Viva Technology event, held in Paris from June 15 to 17, 2017 and

2017-18

dedicated to digital transformation: **60,000 visitors, 6,000 start-ups, and 32 start-up finalists** selected from a pool of over **500 applicants** from **42 countries**.

[📖 See “2017 Social Responsibility report” (pp. 81-83).]

✓ **Example of 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.**

▪ With the help of its partners, the Group is continuing with its efforts to quantify these emissions within the **scope 3 of greenhouse gas emissions in 2017:**

2017-18

- production of raw materials: the main sources of greenhouse gas emissions are leather production (330,000 tCO₂e), winegrowing (180,000 tCO₂e, which includes vineyards belonging to Group companies as well as grape suppliers) and glass for packaging production (150,000 tCO₂e) ;
- upstream transport (59,329 tCO₂e): movement of raw materials and product components to production sites. Only the main materials and components are taken into account ;
- downstream transport (520,192 tCO₂e): movement of finished products from production sites to distribution platforms.

[📖 See:

- “2017 Environmental Report” (p. 38)
- “2017 Reference Document” (p. 109).]

✓ **Example of the 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. Through their procurement policies, Group companies help support local communities. [📖 See “2017 Social Responsibility report” (pp. 81-82).]

- In France, Moët Hennessy launched the Synapse project aimed at encouraging responsible purchasing.
- Similarly, Loro Piana is committed to purchasing certain raw materials at prices that are independent of market forces, allowing livestock farmers and their families to make a living and encouraging them to increase production. Loro Piana also provides training to livestock farmers on sustainable breeding techniques that respect their animals, which are raised in their natural environment while remaining under strict supervision.
- Hennessy called on local contractors throughout the construction of its new Pont Neuf production site: 60% of firms working on building-related lots were regional firms. In particular, the call for tenders highlighted a desire to promote social inclusion. A new tool named GRAPP has also been developed. This web portal is aimed at helping partner winegrowers and grower-distillers strengthen four key aspects of local relationships: transparency, responsiveness, reliable information exchange, and personalization.

4.1.3.2. Sharing best practices internally: It is also vitally important to raise awareness among in- house staff who are directly or indirectly involved in relations with suppliers (buyers, production teams, etc.). Since 1992, the LVMH Environmental Committee has gathered together environment officers from the various Group companies to talk about internal and external best practices, including those relating to suppliers. The Environment Department also works with the Purchasing Department to devise a shared responsible purchasing policy.

- ✓ The two departments have held a joint a **Supplier Sustainability Day** every year since 2005, bringing together the Purchasing, Environment, Legal and Internal Control Departments of the various Group companies in order to raise awareness and train purchasing staff and suppliers in responsible purchasing. All of the Group’s business activities are represented at these meetings, which provides a forum for Group companies to present their plans, actions and progress on sustainable and responsible purchasing, and to exchange with the Group on the LIFE 2020 objectives. 2017-18
- ✓ 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 [📖 See “2017 Reference Document” (pp. 59-61)]. The aim is to identify the most sensitive procurement categories for each activity and increase their level of maturity in terms of responsible purchasing.

- **4.1.4. Actions relating to environmental issues:** [📖 See “2017 Reference Document” (pp. 63-64).] 2017-18

- **4.1.5. Actions relating to social issues:** [📖 See “2017 Reference Document” (pp. 64-65).] 2017-18
 - Respecting and promoting human rights and fundamental liberties
 - Encouraging taking account of quality of life at work
 - Implementing and promoting a responsible approach with partners.

○ **4.2. Training and oversight system:**

- **Training:** Within the Ethics and Compliance Intranet, an online training tool was made available to all employees in 2017 covering the principles of the LVMH Code of Conduct in order to encourage understanding and assimilation by everyone of the rules, practices and values that form a common ethical framework for the Group and Group companies worldwide. 2017-18
 - ✓ In 2017, the Group’s Internal Control Department launched the LVMH Internal Control Academy, the main aim of which is to provide structured management for the entire network of controllers, internal auditors and officers in these areas. As such, this three or four- day training course called “The Fundamentals” was implemented in France and abroad; this training course was entirely created and run by senior internal controllers within LVMH group companies.
 - ✓ The Group’s training efforts also include a number of programs and modules dedicated to the environment, such as safety and preventing risks at work. [📖 For further information on this subject, see the “2017 Reference Document” page 102 (§1.2. “Training”) and page 93 (§7. “Health and safety”).]
 - ✓ As regards social responsibility, training on preventing discrimination is provided for recruiters, directors and managers. Ongoing checks of recruitment practices are in place, with discrimination tests performed by an independent firm. Because social responsibility is a vital part of any manager’s job, all newly hired managers systematically receive training in CSR, its implementation and the role it plays, through their induction seminar and online induction session. [📖 More information can be found in the “2017 Reference Document” pages 82-83 (§2.2. “Recruitment policy”).]
- **Disclosures and oversight:** [📖 See “2017 Reference Document” page 66.]

○ **4.3. Warning mechanism, sanctions and monitoring:**

- **Internal warning system:**

- ✓ All employees unsure of what position to take or how to interpret the principles set out in the Code of Conduct, or who directly or indirectly come across failures to comply with the Code, are invited to first of all report to their line manager, their ethics and compliance officer, their human resources manager, the Group's Ethics and Compliance Director or any other authorized person.
 - ✓ In addition to these usual existing communication and warning channels within the Group and Group companies, LVMH has developed a centralized internal warning system to collect and process reports from all employees concerning infringements or serious risks of infringement of laws and regulations, as well as the provisions of the LVMH Code of Conduct or other principles, guidelines and internal policies. 2017-18
 - ✓ No acts of repression are tolerated against anyone who has made use of this system in good faith, even if the suspicions giving rise to the alert prove to be incorrect. Alerts handled within the framework of dedicated processes could help to enhance procedures for risk identification, which form part of a system of ongoing improvement.
- **Disciplinary sanctions:** 2017-18
 - ✓ Failure by employees to comply with the rules of the Code of Conduct, as well as specific codes, charters and internal policies, the guiding principles and more generally the Internal Rules of Procedure (or any equivalent documents) of the company that employs them can be considered to be a failing.
 - ✓ If applicable, the Group can take appropriate and opportune measures to put an end to the shortcoming observed, including any suitable disciplinary sanctions proportionate to the seriousness of the infringement observed, in accordance with the provisions of the Internal Rules of Procedure (or any equivalent document) or applicable laws and regulations.
 - **Monitoring:** A report shall be submitted each year to the Ethics and Sustainable Development Committee of the Board of Directors on implementation of the principles of the LVMH Code of Conduct. 2017-18

Blueprint For Corporate Sustainability Leadership

Value Chain Implementation:

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

1. Codes of Conduct:

- **LVMH Code of Conduct:** The LVMH ethical and good governance principles are included in the LVMH Code of Conduct, which has been adopted at the Board meeting following the AGM on May 14th 2009 and revised in 2017 (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). 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 supports its partners to establish and respect good corporate social and environmental practices and encourages their awareness of the importance of these issues. In particular, LVMH requires suppliers to comply with the ethical principles set out in the Supplier Code of Conduct. This Code specifies requirements to be respected by its suppliers, including any subcontractors they employ, in the management of their business regarding social issues (prohibition of forced labor and child labor, harassment and discrimination, measures related to wages, working hours, the free exercise of union rights, health and safety), environmental issues and operational issues (notably respect for laws, customs regulations, safety and subcontracting) and measures to fight corruption and illicit influence. This Supplier Code of Conduct also gives LVMH the right to conduct audits to ensure, as far as possible, supplier compliance with these principles. LVMH maintains balanced* » 2017-18

commercial relations with its partners and places special emphasis on respect for contractual agreements and terms of payment. » (pp. 10-11).

- **Supplier's Code of conduct:**

In 2017, the Supplier Code of Conduct was revised in order to provide more detail about the principles of conduct expected of suppliers, particularly in terms of professional integrity.

2017-18


The revised Code specifies requirements relating to labor (prohibition of forced labor, child labor, harassment, discrimination, provisions regarding pay, working hours, freedom of association, health and safety), environmental provisions, business conduct (in particular relating to legality, customs, security and subcontracting) and measures to prevent and combat corruption and influence peddling that must be respected by suppliers and any subcontractors in managing their business. The Supplier Code of Conduct specifies that suppliers of LVMH and Group companies are guarantors of the work carried out by their own subcontractors and suppliers and guarantee that the latter comply with the principles set out in the Code as well as relevant obligations. It also gives LVMH an audit right that allows it, as far as possible, to ensure that these principles are effectively observed. If the Supplier Code of Conduct is violated by one of its suppliers or a supplier or subcontractor of a supplier, LVMH or the Group company concerned reserve the right to review and, possibly, end the commercial relationship subject to the conditions provided by law.

- **"Environmental Charter" and "LIFE 2020":**

The commitment to protect environment is formalized in the Environmental Charter adopted in 2001 and applied by all LVMH Maisons. It is also embodied by the strategic LIFE Program 2020 (LVMH Initiatives For the Environment) which has been incorporated by all LVMH Maisons to structure their initiatives and focus them on nine shared priority areas and objectives, and particularly to promote environmental and social responsibility of suppliers and work with them to ensure best-in-class environmental standards across our supply chain;

2. Targets relating to specific challenges for groups of activities

2017-18

[ See "2017 Reference Document" (pp. 59-61) and "2017 Environmental Report"]

- 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.

The “2017 Environmental Report” (page 32) publishes a table with the **different performances and objectives concerning raw materials**:

Indicators	Baseline (2013)	2017 performance	2020 objective
Wines & Spirits			
Sustainable viticulture certification	LVMH vineyards: Northern hemisphere: 100% Southern hemisphere: 70% Grape suppliers: Champagne (7%)	LVMH vineyards: 100% Grape suppliers: Champagne (13%)	LVMH vineyards: 100% (achieved)
Fashion & Leather Goods			
LWG certification of the tanneries	25%	34%	70%
Certified cotton (BCI or organic cotton, etc.) or recycled cotton	2%	5%	70%
Certified furs	Data not available	54%	70%
Perfumes & Cosmetics			
Performance of perfume ingredient suppliers	64%	70%	75%
Performance of cosmetic ingredient suppliers	56%	65%	75%
Watches & Jewelry			
Diamonds: RJC COP certification	90%	98.5% (3 Watches & Jewelry Maisons are not included in the scope)	100%
Gold: RJC COP certification (including the products of the Fashion & Leather Goods Maisons)	70%	76%	100%

- **Compliance with regulations:** LVMH’s sustainable procurement policy is based on one foundation: the very high level of attention paid to the traceability and compliance of the materials and substances used to manufacture the products marketed.
 - The Group pays special attention to complying with the regulations resulting from the implementation of the **Nagoya Protocol** (opened for signature at the Earth Summit in Rio de Janeiro on 5 June 1992 and entered into force on 29 December 1993) in the case of its research and development activities, from the **CITES Convention** (signed on March 3, 1973 at Washington) in the case of trade in certain exotic plants and leathers, from the **European Union Timber Regulation (EUTR)** (which entered into force on March 3, 2013), and from its environmental obligations relating to the **Common Agricultural Policy** in the case of grapes. Its goal of excellence drives LVMH to go beyond complying with the regulations. The company factors in the opinions issued by scientific committees and the recommendations of professional organizations, both at the national and international level. It has introduced stringent internal rules on the development of new products, which it also applies to its suppliers. A virtuous circle has even been introduced within the Group: experts from its Environment Department identify the most stringent regulations and help the Maisons to adopt them.
 - The **REACH** (Restriction, Evaluation, Authorization and Restriction of Chemicals) Regulation, has governed the registration, evaluation, and authorization of chemicals within the European Union since June 1, 2007. **Since 2013, every LVMH supplier** has received a letter regarding their commitment to comply with the REACH Regulation. By signing this letter, the supplier undertakes to comply with the Regulation (or with similar regulations such as Proposition 65 in California). REACH officers have

been identified at the Maisons in order to complete the system. The Group's Environment Department brings this network together every year in order to exchange information and best practices, and to encourage the emergence of substitution or innovation projects.

- 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**.
 - The Group has gone further by designing a comprehensive program focused on a new internal standard for the Fashion, Leather Goods, and Watches Maisons, i.e. the **LVMH RSL (Restricted Substances List)**. This list, which is regularly updated thanks to an ongoing international monitoring process, prohibits or restricts the presence of certain substances in the items brought to market, and 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. In 2017, more than 300 employees and **about 15 suppliers** received training on using the list. 2017-18
 - The Fashion & Leather Goods Maisons have another tool at their disposal, i.e. the **LVMH Testing Program**. This program strengthens the control systems by enabling them to test, in six partner laboratories, the substances considered to be the most high-risk, depending on the materials. Specific handbooks have also been drawn up by LVMH's Environment Department in order to **help suppliers to eliminate certain substances, and to use alternatives**.

LVMH has now achieved genuine maturity in managing the products and substances included in its products. **Its Maisons address this issue with their suppliers at a very early stage**: they increasingly use the tools made available to them and extend the Group's actions via their own initiatives.

- Since 2014, Louis Vuitton has been rolling out an **Inoculation Plan** to strengthen the control over regulated substances. In 2017, this plan resulted in the provision of training for 150 of the Maison's employees, who came mostly from the industrial teams responsible for leather goods, travel accessories, men and women's ready to-wear, leather accessories, and shoes. The Inoculation Plan is supplemented by an annual program of tests on priority materials, which is linked to a policy intended to eliminate and substitute materials and substances that do not comply with the LVMH RSL. 2017-18
- Other Maisons are behaving in an equally proactive manner, resulting in similar progress: by the end of 2017, for example, Céline had replaced 95% of the solvent glues used to assemble its items with water-based glues. To make further progress, the LVMH Group keeps itself permanently informed about the changes in regulations and scientific knowledge, at both the national and international level. This means that the Group can prohibit the use of certain materials and substances in advance, and work on replacing them at a very early stage. 2017-18

2.1. Fashion and Leather Goods: 2017-18

The Group's Fashion and Leather Goods companies have developed a number of initiatives relating to materials and supplies that are considered key. The target for 2020 is to consolidate the social audit of more than 90% of suppliers. In addition, four priority product categories have been identified as concerning all Group companies:

- LVMH is implementing a global long-term initiative together with several preferred partners, such as the **Fondation pour la Recherche sur la Biodiversité** (FRB – the French Foundation for Research on Biodiversity). As a founder member of FRB, in 2014 the Group became the first private company to join the eight public research bodies that have seats on FRB's Board of Directors. It has also, for many years, been one of the 160 members of the Foundation's Strategy Board, and is responsible for reviewing the design of research programs aimed at promoting biodiversity. LVMH monitors all the FRB's work, and contributes to

it on a regular basis. This collaboration has, in particular, resulted in the publication of recommendations on the use of natural substances, on access, and on sharing the benefits in the cosmetics sector. These recommendations were drawn up following research on two types of plants used in the cosmetics sector and included in the formulation of Christian Dior cosmetics.

- LVMH also wants to contribute to the transfer of knowledge from the **scientific sphere** to the corporate and civil society spheres. This is what drives the Group to support, in particular, research on an accounting system for natural capital. This is a major challenge, since many public or private operators see protecting natural resources as hindering their development. LVMH wishes to provide a scientific insight, in order to encourage a better inclusion of natural resources in companies' strategies. Two theses financed by LVMH have highlighted the interdependence between companies and biodiversity. LVMH intends to promote what is known as "strong" sustainability. Unlike "weak" sustainability, this concept is based on the complementarity between technical, human and natural capital, and therefore does not permit any interchangeability between these three types of capital. In the accounting system, it requires observance of environmental thresholds and balances in order to protect the environment. LVMH is planning to finance a French Environmental Accounting Chair that will act as advocate for this approach.

- LVMH is also one of the industrial partners of **CIRAIG**, the international reference center for the life cycle of products, processes, and services based in Montreal, Quebec. The company supports the center's work on the circular economy and the water footprint. It has also financed a Research Chair since 2013, so that its Maisons can benefit from the support of top worldwide specialists in fields such as the Life Cycle Analysis (LCA) and eco-design.

- The **Central Saint Martin's College of Art and Design in London** is another of LVMH's preferred partners. The Group has set up a large number of academic and creative collaboration processes with this exceptionally well-known educational institution. The latest collaboration process was launched in 2017, namely the "LVMH & Central Saint Martin's Sustainability & Innovation in Luxury | Fostering Creativity" program. The program aims to promote creativity, encourage young talent, and identify breakthrough solutions to support sustainable development and innovation in the luxury goods sector.

- **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 CO₂ 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..

- **Leather:** The target for 2020 is to obtain at least 70% of total supplies from tanneries that meet the requirements of the **Leather Working Group (LWG)**.

- For example, Loewe purchases leather from LWG certified tanneries (a highly ambitious standard created by the Leather Working Group in order to improve the environmental performance of tanneries: energy, water, waste and traceability). Other Fashion & Leather Goods Maisons have followed Loewe, to the point where, by the end of 2017, 34% of the leather purchased by LVMH came from LWG-certified tanneries. In connection with LIFE 2020, the Group wants to increase this to **70%**. To achieve its objective, in 2017 it launched a wide-ranging action plan: it will audit about 30 tanneries that work with its Maisons and have them audited according to the LWG standard.

- In 2017, Louis Vuitton decided to extend the scope of environmental audits to include **leather suppliers for shoes and accessories**. The leather goods business has continued with its efforts by auditing Tier 2 suppliers. In 2018, Louis Vuitton intended to focus obtaining LWG accreditation for three main tanneries, as well as the environmental audit of two tanneries among new Tier 2 suppliers. In order to reinforce the environmental commitment of its tanneries, Louis Vuitton has introduced key environmental indicators within the framework of a half-yearly activity review.

Exotic leathers, including crocodile leathers, are also the subject of particular attention. LVMH owns an **exotic leather tannery and several crocodile farms**. By working with recognized independent experts, LVMH has determined a best practice matrix which is used as a benchmark during the audits conducted at the farms. All the farms that supply the Group's tannery will be audited by the end of 2018. This is a significant long-term investment aimed at ensuring social, ethical, and sustainable development, which protects livestock breeders, and animal species that may otherwise be threatened. Work on reptile and semiexotic leathers is currently ongoing with the sector and animal welfare organizations.

- As a member of **BSR (Business for Social Responsibility)**, LVMH contributed, in 2016, to the drafting of an update to Animal Sourcing Principles, a document that sets out the main principles for the responsible treatment of animals in supply chains. In 2017, six of the Group's Maisons forwarded this document to their suppliers, and three more of them are expected to do so in 2018.

Animal welfare is at the heart of the Group's concerns, and involves several raw materials such as leathers, wools, and fur. LVMH shares civil society's aim of improving animal welfare and is the driver of significant progress.

✓ For many years, LVMH has also been a member of the **BSR (Business for Social Responsibility)** network, the world leader for the corporate, societal, and environmental responsibility of businesses. As a member of this organization, in 2016, LVMH took part in drafting the new version of the BSR's "Animal Sourcing Principles", a document that sets out general principles focusing on animal welfare in supply chains. **This document is gradually being shared with all concerned suppliers**. In the case of tannery products, better rearing conditions upstream, for the farmers and for the animals, mean higher quality products downstream. This is why LVMH has been working for many years to improve and control breeding practices. The approach always involves working with the professional organizations concerned so that improvements can be shared and can be monitored by scientists, but also to ensure that "lowlevel" competition, which uses poor practices, is avoided.

✓ As a member since 2011 of the **Leather Working Group (LWG)**, 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.

✓ Since 2013 the Group has been supporting a research project on the **DNA of Southeast Asian pythons**, entitled "Population Genetics and their Forensic Applications to the Reticulated and Burmese Pythons Involved in the Commercial Skin Trade in Southeast Asia" which was completed in 2017. This research was launched with a specific aim, namely identifying the geographical origin of the animals, and distinguishing between animals bred in captivity and animals removed from their natural environment, in order to avoid excessive pressure on the resource, and encourage the prevention of poaching.

- 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.

- Fur is a key raw material for LVMH. The fashion houses – and especially Fendi, the historic market leader for **fur** – comply with all 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 endangered 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. These standards include the **European WelFur label** (under the FurMark umbrella) which has been developed by scientists and veterinarians in order to support animal breeders on a day-to-day basis, and where the criteria go beyond domestic and European regulations. LVMH is also an equally firm supporter of the standards developed by SAGA and Northern European operators.
- **Fabric:** LVMH and its Group companies continue to strive to obtain sustainable cotton supplies. The target for 2020 is to obtain at least 70% of total cotton supplies from producers that adhere to the **BCI (Better Cotton Initiative)**. As regards sheep's wool, LVMH has decided to encourage two approaches within its supply chain: the best practices defined by the IWTO (International Wool Textile Organisation) and the RWS (Responsible Wool Standard). For example, Thomas Pink made major changes to its cotton purchasing. In 2016, 60% of cotton used by the company came from BCI (Better Cotton Initiative) suppliers. For 2018 and beyond, Thomas Pink's aim is to increase its procurement of supplies that meet this standard.

✓ LVMH's **cotton purchasing policy** is another illustration of this increased use of certified procurement. Although cotton fiber is very popular worldwide, it has many environmental impacts, which in particular result in the excessive consumption of water and pesticides, and in soil erosion. The Maisons' use of organic cotton is increasing: 100% of the cotton used by Baby Dior or for Céline's leather goods is organic. LVMH is also turning to another sustainable alternative, namely Better Cotton, cultivated in accordance with the recommendations of the Better Cotton Initiative. Indeed, on July 1, 2017, the company took the step of joining the BCI, following in the footsteps of Thomas Pink and Marc Jacobs. BCI membership sets the same objective for all the Group's Maisons, namely including 70% of certified or recycled cotton in their collections, packaging, and uniforms by 2020. Thomas Pink, a member of the BCI since 2015, has already bought 239 metric tons of Better Cotton, which now accounts for about 60% of its total volume of cotton purchases.

✓ **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.

LVMH also pays attention to animal welfare in the wool sector, particularly the practice of mulesing sheep.

✓ In 2016, LVMH joined the **Textile Exchange**, a US organization dedicated to sustainable supplies for the textile sector. LVMH plays an active role within this organization, developing unconventional cotton supply chains or in introducing new standards such as the **Responsible Wool Standard (RWS)**. These standards, which are directly inspired by the issue of animal welfare, are expected to enable the procurement of supplies with a guarantee of the best animal breeding conditions.

✓ The Group is in discussions with the **IWTO**, the **Textile Exchange** and the Maisons' suppliers regarding the development of alternative methods, by encouraging the roll-out of the Responsible Wool Standard, for example. LVMH has joined the **Sustainable Fibre Alliance**, which deals with the sustainable sourcing of cashmere, and incorporates animal welfare criteria among other subjects, such as preventing desertification.

- ✓ The Group's Maisons are highly conscious of their impact on the welfare and protection of animals bred for their wool. This is the context in which Louis Vuitton, in 2017, launched the first audits of **rex rabbit farms**.
- ✓ On a more historic basis, Loro Piana **helped save from extinction the vicuña**, a small camelid native to the high-altitude regions in South America. The number of animals had fallen from several million, when the Spanish arrived on the American Continent, to 55,000 twenty years ago. The Maison found outlets for this valuable wool and imported breeding techniques based on Australian methods that have increased the herd currently to 400,000 animals. Loro Piana has even created the first nature reserve aimed at protecting vicuñas, which is home to about 3,000 animals today. The Group is convinced of its responsibility for animal biodiversity. By assigning a value to these precious raw materials, their vital importance is significantly highlighted, and therefore results in the creation of positive outcomes.
- ✓ In 2017, LVMH also adhered to the “**Sustainable Apparel Coalition**” (SAC) the apparel, footwear, and textile industry's leading alliance for sustainable production. The Coalition develops the Higg Index, a standardized supply chain measurement suite of tools for all industry participants. These tools measure environmental and social labor impacts across the supply chain. With this data, the industry can address inefficiencies, resolve damaging practices, and achieve the environmental and social transparency consumers are demanding. By joining forces in a Coalition, we can address the urgent, systemic challenges that are impossible to change alone.

- **Chemical products** (particularly in metal parts): LVMH has put in place an in-house standard, the LVMH RSL (Restricted Substances List), which prohibits the use of hazardous substances in items brought to market, as well as their use by suppliers. This standard, rolled out to all Fashion and Leather Goods companies, includes the most stringent regulatory requirements and anticipates future regulations. It also allows suppliers to better understand their obligations and to take a continuous improvement approach ;
- **Finished and semi- finished products:** Following the partnership with MADE- BY in 2016, Loewe worked on clarifying its ready-to-wear supply chain by adding certain suppliers to the internal supplier risk assessment tool.

2.2. Wines & Spirits:

2017-18

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:** The aim is to reduce the environmental footprint of Group companies by increasing the ratio of transportation by sea and rail, as well as stepping up the use of compressed natural gas (CNG) vehicles for the transportation of finished products.
- **Packaging:** In 2017, 100% of new packaging developed for the champagne and cognac brands was tested to calculate its Environmental Performance Index (EPI).
- **Advertising materials:** 100% of at- risk suppliers have been audited in Europe and Asia. The aim is to extend this policy to all countries where relevant.

Sustainable viticulture guarantees the long-term future of the vines, with the greatest respect for the regions of origin and the environment. This is a key aspect of MH's sustainable procurement policy. The way in which the Maisons in the Champagne Region and in Cognac are developing sustainable viticulture is exemplary in this regard. They are implementing a large number of traditional practices, such as the technique of growing grass between rows of vines in order to control the spread of weeds, or the planting of hedgerows about the borders of vine plots. Hennessy has for example planted 11 hectares of experimental fallow fields on plots where the vines were pulled up in early 2015 with a mixture designed

in collaboration with the French Institute of Vine and Wine Sciences. This mixture, which includes plants attractive to bees, is intended to prepare the soil prior to replanting, and to embellish the area.

- ✓ 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.

- ✓ 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.

2.3. Perfumes and Cosmetics:

2017-18

Each year, the Perfumes and Cosmetics business group defines CSR actions and objectives for these packaging, raw materials and promotional articles / advertising materials suppliers. In 2016, social audits covered 100% of Tier 1 suppliers in at-risk regions for glass, cardboard and metal / plastic. In addition, in 2016, environmental audits covered 100% of Tier 1 glass suppliers. **At the end of 2017, environmental audits were extended to all cardboard packaging suppliers.**

- As regards other key supplies, it should be noted that **in 2017**:
 - 100% of alcohol and vegetable glycerin suppliers were audited (social and environmental audits) ;
 - social audits are mandatory to confirm approval of all of our suppliers of promotional items.

- Furthermore, the Group’s Perfumes and Cosmetics companies use palm oil derivatives and have set themselves a target of using **at least 50% RSPO** (Roundtable on Sustainable Palm Oil) certified palm oil derivatives by the end of 2018. 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. In 2017, the Perfumes and Cosmetics business group signed up to the Responsible Mica Initiative while also stepping up its efforts by carrying out audits within this business line.

- Lastly, a **Responsible Purchasing Charter** was adopted in 2014 by six of the Group’s Perfumes and Cosmetics companies. The aim is to formally set out the conditions for a responsible relationship with all suppliers. In order to support us in this approach, a partnership was formed with EcoVadis in 2017. This partnership should enable us to assess the CSR commitments of 350 suppliers in 2018.

Other commitments and processes:

- 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.

- 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. 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. The Perfumes & Cosmetics Maisons are emphasizing the assessment of suppliers, and ethnobotany initiatives.
 - 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.
 - Particular attention is paid to star ingredients resulting from **ethno-botany** initiatives and to strategic ingredients such as plant-based glycerin or beet alcohol. 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.

2.4. Watches & Jewelry:

2017-18

All of the Group’s Watches and Jewelry companies have been certified by the Responsible Jewellery Council (RJC) between 2011 and 2012. Bvlgari has also had its gold product lines certified under the Responsible Jewellery Council’s traceability audit program. The Watches and Jewelry business group has identified two main categories of key raw materials:

- **Diamonds and precious metals:** The RJC has developed a certification system designed, in particular, to ensure that diamonds used in manufacturing do not come from conflict zones. The Kimberly Process is applied to diamonds.
 - The Maisons have specifically committed to procure diamonds from sustainable sources: in 2017, 98.5% of the diamonds purchased were RJC CoP certified (3 Watches & Jewelry Maisons are not included in the scope).
 - Bvlgari, which is particularly committed, even became, in 2015, the first company in its market to obtain the CoC (Chain of Custody) certification form gold introduced by the RJC.
 - In 2017, the audit monitoring the Maison’s RJC certification helped the Council renew its trust and recognize the many ethical and responsible best practices introduced by Bvlgari.
- **Colored gemstones:** in March 2016, the RJC announced that it had added colored gemstones to its certification scope within the framework of a new standard to be launched in 2018- 2019. Bvlgari is a member of the working party on defining a standard to be included in RJC certification in partnership with NGO The Dragonfly Initiative, an organization bringing together European and American players in fine jewelry working on the development of best practices for the extraction of colored gemstones.

2.5. Selective Retailing:

2017-18

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 2017, 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 100% of them in 2020. By 2020, all high-risk suppliers worldwide will have undergone social and environmental audits for both of these procurement categories.

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 also CRITERION 1 in this COP 2018 ("1. Commitment and involvement at the highest level").

○ **Compliance with international conventions:**

[📖 See:

- "2017 Reference Document" (pp. 44 and 87)

- "2017 Social Responsibility Report" (pp. 13 and 10-11).]

- 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 "social diversity":**

- 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 "2017 Social Responsibility report" (p. 11).]

2017-18



- As regards key positions within the Group, to mark the 10th anniversary of the EllesVMH initiative, launched in 2007 by Chantal Gaemperle, the Group reviewed its commitment in 2017. Between 2007 and 2017, the proportion of women holding key positions within the Group rose from 23% to 40%. Given this progress, a new target has been set: to achieve parity for key positions by 2020, summarized in the slogan **"50/50 by 2020"**. New appointments in 2017 saw more women attain senior positions. Nine Group companies are now led by women: Krug, Céline, Kenzo, Loewe, Nicholas Kirkwood, Acqua di Parma, Fresh, Make Up For Ever and Starboard Cruise Services. [📖 See "2017 Social Responsibility report" (p. 66).]

2017-18

• **Internal Codes and Processes:**

	Policies	Reporting
Cross-cutting issues	<div style="border: 1px solid black; padding: 5px; margin-bottom: 5px;">« Supplier’s Code of Conduct » (March 2008 revised in 2017)</div> <div style="border: 1px solid black; padding: 5px;">« LVMH Code of Conduct » (May 2009 revised in 2017)</div>	<div style="border: 1px solid black; padding: 5px; margin-bottom: 5px;">"Sustainable Development" in « Annual Report »</div> <div style="border: 1px solid black; padding: 5px; background-color: #F0F0F0;">« Reference Document » [§ Management of non-financial and financial risks § Human Resources, § Environment, § Charter of the Board of Directors...]</div>
Environment	« Environnement Charter » (2001)	« Environmental Report »
Social	<div style="border: 1px solid black; padding: 5px; margin-bottom: 5px;">« LVMH Recrutement Code of Conduct » (2009)</div> <div style="border: 1px solid black; padding: 5px; background-color: #F0F0F0;">« Charter on Working Relations with Fashion Models and Their Well-Being » (september 2017)</div>	« Social Responsibility Report »

- **The LVMH Code of Conduct:** The common foundation of the Group and its companies, the Code of Conduct adopted in 2009 and disseminated to all employees was revised in 2017 in order to reassert, specify and refine the principles of conduct intended to guide the actions of all employees. [📖 See “2017 Reference Document” (p. 44).] 2017-18
- **The Supplier Code of Conduct:** In 2017, the Supplier Code of Conduct was revised in order to provide more detail about the principles of conduct expected of suppliers, particularly in terms of professional integrity. The revised Code specifies requirements relating to labor (prohibition of forced labor, child labor, harassment, discrimination, provisions regarding pay, working hours, freedom of association, health and safety), environmental provisions, business conduct (in particular relating to legality, customs, security and subcontracting) and measures to prevent and combat corruption and influence peddling that must be respected by suppliers and any subcontractors in managing their business. [📖 See “2017 Reference Document” (p. 45).] 2017-18
- On September 6, 2017, LVMH announced that it had drawn up a **Charter on Working Relations with Fashion Models and Their Well-Being**, in consultation with Kering and sector professionals, which would be applied at all of its Maisons. Respect for the dignity of individuals is one of the Group’s core values, and so concern for the well-being of the models it works with is a natural corollary of this policy. Aside from the special care and attention it pays to models’ working conditions, the charter contains several major commitments. [📖 See “2017 Social Responsibility report” (p. 46).] 2017-18

- ☑ **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)**
- ☑ **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)**

▶ See also CRITERION 1 in this COP 2018 (“1. Commitment and involvement at the highest level”).

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 **Code of Conduct** is available on the LVMH website and can also be downloaded in ten languages from the Group’s new Ethics and Compliance Intranet, which provides all available documents and tools for Group employees relating to ethics and compliance in one space. The Code of Conduct is communicated to all new employees. The Code and its principles must be respected by each employee. In order to encourage appropriation of the principles of the Code by all Group employees, an online training tool has been offered to all employees since the end of 2017. [📖 See “2017 Reference Document” (p. 45).] 2017-18

- In addition to the Code of Conduct, a series of **internal documents** has been put together that aim to guide employees of the Group and Group companies in implementing the Code on a day-to-day basis: the guiding principles. These documents, which can also be accessed by employees on the Ethics and Compliance Intranet, constitute reference guides for certain topics relating to business ethics. [📖 See “2017 Reference Document” (p. 45).] 2017-18

- The **Supplier Code of Conduct**, revised in 2017, has been disseminated to Group companies, and all relations with partners require that the partner in question undertake to comply with all ethical principles laid down in the Code. [📖 See “2017 Reference Document” (p. 45).] 2017-18

- The **LVMH Recruitment Code of Conduct**, adopted in 2009, has been widely disseminated to all employees involved in recruitment processes across the Group. It sets forth the ethical hiring principles to be observed at LVMH in the form of fourteen commitments. Special emphasis is placed on preventing any form of discrimination and on promoting diversity. As regards hiring new employees, LVMH uses mandatory anti-discrimination training to raise awareness at its companies of the importance of recruiting people from all walks of life, including those with and without disabilities. With regard to the links between continued employment and preventing discrimination, various policies and best practices have been applied by Group companies.

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 CRITERION 2 in this COP 2018:
 - “3.6. Procedures for regular assessment of subcontractor and supplier situations”
 - “4.1.3. External and internal actions to support suppliers”
 - “4.3. Warning mechanism, sanctions and monitoring”.

- **Internal warning mechanism, sanctions and monitoring:**

- ▶ See CRITERION 2 in this COP 2018 (“4.3. Warning mechanism, sanctions and monitoring”).

- **Specific due diligence:**

The LVMH group’s activities are exposed to various risks that are the object of regular risk management and identification within the context of primarily regulatory reforms. In this

2017-18

regard, **the implementation of the Law of March 27, 2017 concerning the duty of reasonable vigilance** by parent and ordering companies has resulted in improved identification of risks and helps to prevent for example serious abuses of human rights and fundamental liberties, health and safety of persons. [📖 See “2017 Reference Document” (p. 47).]

- Human rights and fundamental liberties are clearly identified in the “**risk identification**” process. [📖 See § 2.1.11. in “2017 Reference Document” (p. 51).]

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« **2.1.11. Human rights and fundamental liberties** »:

The Group encourages ongoing improvement in social and health conditions, which are key factors in the development and protection of the rights of people. In this regard, LVMH identifies two levels of issues that can violate human rights and fundamental liberties.

✓ **Internally**, LVMH takes account of principles relating to fundamental rights at work: elimination of professional and employment discrimination, elimination of all forms of forced and compulsory labor, effective abolition of child labor, respect for freedom of association and effective recognition of the right to collective bargaining. LVMH promotes diversity in terms of backgrounds and experience. This commitment is enshrined in the Group’s Recruitment Code of Conduct and embodied by its signing of the Business Diversity Charter. LVMH ensures that all of its employees are able to exercise their rights with no distinction on the grounds of skin color, gender, religion, political beliefs, national or social origin, age, disability, trade union affiliation and sexual orientation or gender identity. Particular attention is paid to the rights of vulnerable people. See also the “*Management Report of the Board of Directors – Human resources*” of the Reference Document (§5. “Social responsibility”) concerning prevention of discrimination.

✓ **Externally**, LVMH is committed to demonstrating vigilance in identifying the potential negative effects – whether direct or indirect – of its business activities on society in order to prevent these effects and, if applicable, remedy them. The Group asks each Group company to collaborate with suppliers that agree to comply with the demands of the Supplier Code of Conduct and support within their sphere of influence the values, liberties and fundamental rights of the international regulations on which it is based. The exemplary behavior expected of suppliers in terms of social responsibility includes in particular the prohibition of child labor, forced labor, illegal, undeclared and unrecorded labor, harassment, abuse and discrimination, as well as various legal requirements concerning wages and benefits, working hours, freedom of association, health and safety and protection of personal data.

✓ In consultation with Kering and sector professionals, LVMH also decided to draw up a **charter on working relationships with models**. »

- **Geographical exposure**: In late 2017, identification of at-risk suppliers was enhanced by means of a new methodological project to specify the different levels of geographical exposure for the activities of LVMH and Group companies on the basis of three issues whose human rights. Each mapping allows for levels of risk to be viewed for each country with regard to Group companies’ administrative, production and distribution activities. [📖 See “2017 Reference Document” (p. 59).]


2017-18

☑ 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):

In this COP 2018, see also:

▶ CRITERIA 16 and 18 in this COP 2018.

▶ Below “☑ Internal awareness-raising and training on human rights for management and employees”

- In the respect of “**Children’s Rights and Business Principles**” LVMH gives the opportunity **to young people to develop a professional experience.** 2017-18
 - 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, 2017, **more than 1,256 young people** were working under apprenticeship or vocational training contracts (including Institut de Métiers d’Excellence) at all of the Group’s French companies.
 - **Helping disabled young people** [ See “2017 Social Responsibility Report” (p. 86)]
▶ See CRITERION 16 in this COP 2018 (“Helping disadvantaged individuals find work”).
- **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.
 - 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).

✔ 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.

INTRODUCTION:

- 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.
- Within the **Ethics and Compliance Intranet**, an online training tool was made available to all employees in 2017 covering the principles of the LVMH Code of Conduct in order to encourage understanding and assimilation by everyone of the rules, practices and values that form a common ethical framework for the Group and Group companies worldwide. 2017-18
- In 2017, the Group’s Internal Control Department launched the **LVMH Internal Control Academy**, the main aim of which is to provide structured management for the entire network of controllers, internal auditors and officers in these areas. As such, this three or four-day training course called “The Fundamentals” was implemented in France and abroad; this training course was entirely created and run by senior internal controllers within LVMH group companies. 2017-18

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2017-18

1. Global frame about diversity and non-discrimination:

- **Commitments:**

- ▶ CRITERION 1 ("1. Commitment and involvement at the highest level").
- ▶ CRITERION 3 ("Last commitments in the field of social diversity").

- **Responsibility for control and implementation:**

- ▶ See CRITERION 1 in this COP 2018 ("2. Management and control of actions").

- **Processes and tools:**

In this COP 2018, see:

- ▶ CRITERION 2 ("3. Assessment and control procedures in place" and "4. Lines of defense").
- ▶ CRITERION 3 ("Internal Codes and Processes").

2. Equality of opportunity for men and women:

- **Results:**

2017-18

- In 2017, women accounted for **73%** of the total workforce on permanent contracts, **65%** of management-level staff, and **40%** of key Group positions. Women are particularly prominent in Perfumes & Cosmetics (83% women), Selective Retailing (83% women), and Fashion & Leather Goods (68% women), while men make up the majority of the workforce in Wines & Spirits, where they account for 63% of employees. To boost the representation of women in this last business group, in recent years the Group has increased the proportion of women hired (43% in 2017).
- Group companies are taking action to reflect this representation of women in their workforce at all levels. At Berluti, for example, women make up 50% of managers. At Kenzo, Sylvie Colin was appointed Chairman and Chief Executive Officer in September 2017. Women account for 67% of the company's total workforce, holding 65% of management roles and making up 50% of the Executive Committee. In Spain, Loewe has made further progress, reaching parity in the proportion of women within the management team. Women also make up 50% of the Management Committee at Les Tanneries Roux. In France, women make up 70% of the Management Committee at Guerlain, over 50% of whose subsidiaries are headed up by women.

Proportion of female in 2017	
TOTAL	73 %
Key positions	40 %
Executives and managers	65 %
Technicians and supervisors	68 %
Administrative and sales employees	81 %
Production workers	55 %

- **Drivers:**

- Launched in 2007 on the initiative of Chantal Gaemperle, the **EllesVMH program** encompasses all actions taken in this area within the LVMH group. Its aim is to promote a mixed working environment where talent is able to flourish, by offering equal opportunities to all. Combining specific actions with coaching to provide proactive, practical support for women leaders, EllesVMH has become an international brand that channels energy into 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. The EllesVMH program continues to develop its existing projects, including its two main training initiatives, **EllesVMH Coaching** and **EllesVMH Connect**. On average, around 40 women haven taken part in EllesVMH Coaching courses every year since it was launched in 2013. In 2017, the number was 35. 2017-18
- Many international initiatives were also kicked off in 2017, such as the creation of a new EllesVMH network in Switzerland. All representatives meet every two months to discuss their projects. The committee is preparing to organize an inter-company conference on diversity in 2018. In Spain, on the initiative of LVMH Perfumes & Cosmetics, EllesVMH brought together more than 1,500 women around the world on March 8, 2017. Initiatives and tools specific to each entity are put in place to reduce any salary gaps between women and men within the same job category. During annual negotiations, a dedicated budget may be set aside to cover any required adjustments. [📖 See “2017 Social Responsibility Report” (pp. 67-68)] 2017-18

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

2017-18

- In 2017, employees in France aged 50 and over accounted for a larger proportion of the workforce (**23.6%**) than in other countries (**13.5%**). It thus makes sense that the issue of helping older workers to find and keep jobs should be handled differently according to geography. This situation is mainly due to the high level of representation of young employees in selective retailing and, conversely, the long length of service and high level of representation of older employees within production workshops.
- In France, **26 Group companies** have made commitments to support career management for older employees through agreements or action plans to foster recruitment, employment and career development for staff over the age of 50. All Group companies in France, regardless of size, have renewed this commitment through the *contrat de génération* (cross-generation contract) plan to promote sustainable access to employment for young people, encourage the hiring of older employees, and ensure that knowledge and experience are transferred between generations.

For example, Chaumet has adopted a new *contrat de génération* for the 2016–2019 period and has launched a project to form a group of change leaders made up of older employees. 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*.

- See best practices in the field of three issues [📖 “2017 Social Responsibility Report” (pp. 74-75) and “2017 Reference Document” (“5.2. Actions in favor of older employees”, p. 89).]:
 - “Passing on expertise”
 - “Keeping people in employment”
 - “Recruitment”

4. Employment of disabled persons [📖 “2017 Social Responsibility Report” (pp. 71-72) and “2017 Reference Document” (pp. 90-91)]:

• Results:

2017-18

By the end of 2017, the Group’s redoubled efforts had enabled it to increase the proportion of employees with disabilities in France to **4.7%** according to official standards (sum of direct and indirect employment). Internationally, as the status and definition of disabilities depends on local legislation, the proportion of staff with disabilities stands at **1%**.

Number and % of Disabled persons:		2010	2011	2012	2013	2014	2015	2016	2017
France	<i>total headcount</i>	507	543	572	623	620	705	819	846
	<i>global employment rate</i>	3.57 %	3.72 %	4.1 %	4.1 %	4.1 %	4.5 %	4.5 %	4.7 %
Group	<i>total headcount</i>	775	824	928	979	1034	1 130	1 241	1 416
	<i>global employment rate</i>	0.93 %	0.84 %	0.87%	0.85 %	0.85 %	1 %	1 %	1 %

The share of disabled employees in the total workforce in France has largely increase over the period 2009-2017 from 3.20% to 4.7 % (i.e. by + **46.8 %**) (French AGEFIPH standards).

• Organization, methodology and partnerships:

- The aim of the **Mission Handicap** initiative, established in 2007, is to help LVMH achieve its ambition of social integration and access to employment for people with disabilities, relying on a network of **35 disability correspondents** at Group companies. It steers the Group’s actions in this area by raising employee awareness and providing assistance for training people with disabilities. In addition, *Mission Handicap* supports the Group’s hiring activities and its efforts to provide lasting employment for people with disabilities through partnerships with specialized nonprofits and agencies working to promote their social and professional integration.
- To encourage the hiring of people with disabilities, in 2014 LVMH launched the **EXCELLhanCE initiative in partnership with AGEFIPH**. This initiative enables people with disabilities to simultaneously obtain a degree, significant experience within LVMH Group companies, and expertise specific to the luxury industry. It runs intensive work-linked training programs, lasting from 12 to 24 months, in three fields: sales, logistics and human resources 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. Of the sales associates and inventory managers on work-linked training having entered the program in its first year in 2014, 64% obtained a vocational qualification in logistics or earned a BTS technical diploma in Management of Commercial Units in 2016 and 74% then either moved on to a fixed-term or permanent contract with the Group or continued with their studies. The second class entered the program in fall 2016 and continued their training in 2017. Implemented at 10 Group companies, the program has enabled 13 people with disabilities to enter employment on professional training contracts, most of them retraining in a new profession, as either sales associates, inventory managers or human resources assistants. In 2017, the first two graduates from this second class in the field of human resources management completed the program. Meanwhile, in the United States, through a similar program that combines training and induction, Sephora partnered with Ability Works to recruit more hires with disabilities at its Mississippi distribution centers. Two new classes began their training in 2017, with a target of hiring 30% of participants in 2018.
- Also during the year, Sephora signed its own agreement with **AGEFIPH**, further demonstrating the strong level of commitment by Group companies in this area. Hennessy, Christian Dior Couture and Parfums Christian Dior are each covered by an agreement.

2017-18

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- 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 lend their support to this initiative and more than 50 young people benefited from LVMH's involvement in 2017. Some Group companies such as Berluti and Christian Dior Couture are also ARPEJEH partners and have taken part in specific recruitment drives or the organization's *Atelier découverte des métiers*, a workshop introducing participants to a range of professions, held this past year on November 28, 2017.
- See **“specific initiatives at Group companies”** in the field of two issues:
 - **“Integration and employability”**: Both in France and abroad, Group companies are committed to facilitating the recruitment and employability of people with disabilities. They run a variety of initiatives, which are highlighted in particular during European Disability Employment Week, held from November 13 to 17, 2017.
 - **“Keeping people in employment”**: As an example, in March 2011, Moët & Chandon founded **MHEA**, a company that offers facilities designed to accommodate employees with disabilities. MHEA maintains a workforce made up entirely of people with disabilities and provides optimum working conditions for employees affected by disabilities, without any change in their compensation conditions. Since it was founded, MHEA has enabled a total of **45 people** to work under fixed-term or permanent contracts and around ten of them to join one of the Group's champagne houses on permanent contracts. In 2017, MHEA created a multidisciplinary committee for keeping people in employment and set up an adapted labeling line for people with medical restrictions working at its facilities designed to accommodate such employees.
- **“Sheltered” and “supported” employment sector**:

2017-18

In this COP 2018, see also:

- ▶ CRITERION 2 (“Example of Socially Responsible Procurement”).
- ▶ CRITERION 16 (“Helping disadvantaged individuals find work”).

- LVMH also encourages Group companies to develop their relationships with the sheltered and supported employment sector. This sector provides people with severe permanent or temporary disabilities with opportunities to work in a specially adapted environment. Services entrusted to the sheltered and supported employment sector equated to **EUR 7.1 million in 2017**, up +7.6% relative to 2016. This purchasing volume is equivalent to 368 full-time equivalent jobs, an increase of + **18% in 2017** relative to 2016 (312 FTE) following a very sharp increase of 100% in 2016 relative to 2015 (156 FTE).
- **Disability, Employment and Responsible Purchasing trade fair**: With almost 3,000 visitors, the second Disability, Employment and Responsible Purchasing trade fair built on the success of the first. The fair was held at the **Palais des Congrès in Paris on March 27, 2017** and was organized by LVMH and Les Echos' events unit. The first trade fair to focus on direct employment and responsible purchasing while promoting employment for people with disabilities, the Disability, Employment and Responsible Purchasing trade fair is an opportunity for human resources staff to meet professionals working with disability issues. More than a hundred sheltered workshops (*établissements et services d'aide pour le travail*, ESAT) and businesses with special structures and practices in place to accommodate employees with disabilities (*entreprises adaptées*, EA) attended, organized into groups covering all industry sectors. A program of over 65 talks and training workshops was on offer to raise awareness and train attendees. Around a hundred Group employees took part.

5. Raising awareness on Psychosocial Risks:

▶ See CRITERION 7 in this COP 2018 (“2. Health & Safety”).

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 best practices in the field of “Preventing occupational stress and harassment” in “2017 Social Responsibility Report” (pp. 51-52).]

2017-18

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

See also “Grievance mechanism, communication channels and other procedures (e.g. whistle-blower mechanisms)” in this COP 2018:

▶ CRITERION 7 “The COP describes effective *management systems* to integrate the labour principles”

▶ CRITERION 10 “The COP describes effective *management systems* to integrate the environmental principles”.

• New Code of Conduct:

2017-18

- See the new Code of Conduct (page 28) revised in 2017 [https://r.lvmh-static.com/uploads/2017/12/lvmh-code-of-conduct-2017_122017.pdf]: « (...) *Employees who have questions about the appropriate behavior to be adopted or the interpretation of the principles set out in this Code of Conduct, or those who become directly or indirectly aware of violations of this Code of Conduct, are invited to contact their manager, Ethics and Compliance correspondent, human resources manager, the Group’s Ethics and Compliance Director or any other authorized persons. The LVMH Group has established an internal alert procedure enabling reporting and processing of alerts raised by employees regarding violations or risks of violation of the measures set out in this Code of Conduct. This alert procedure is available to all employees. In compliance with applicable regulations, this procedure guarantees confidentiality for the person raising the alert to the extent reasonably possible and unless otherwise required by law (in particular in France with the conditions stipulated by the French Data Protection Authority Cnil single authorization N°. AU-004). Retaliations are prohibited against people who use this procedure in good faith even when the suspicions at the origin of the alert prove groundless. (...)* » [📖 See "LVMH Code of Conduct" (p. 19)].
- In addition to the Code of Conduct, a series of internal documents has been put together that aim to guide employees of the Group and Group companies in implementing the Code on a day-to-day basis: the guiding principles. These documents, which can also be accessed by employees on the Ethics and Compliance Intranet, constitute reference guides for certain topics relating to business ethics.

• **Dialogue:** See also "Dialogue with employees at Group companies" ("Outreach and consultation methods" and "Corporate projects") in the "2017 Social Responsibility Report" (pp. 59-61). At the same time, Group companies are making great efforts to encourage employee input and discussion with management. To this end, they may use satisfaction surveys as well as more direct methods of gathering information and feedback. Consulting employees can provide a way to better measure their capacity for engagement and their expectations in this area.

2017-18

• Internal warning system:

2017-18

▶ See CRITERION 2 in this COP 2018 (“4.3. Warning mechanism, sanctions and monitoring”).

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

In this COP 2018, see also:

▶ CRITERION 1:

- “1. Commitment and involvement at the highest level”
- “2. Management and control of actions”

▶ CRITERION 2:

- “3.6. Procedures for regular assessment of subcontractor and supplier situations”
- “4.1.3. External and internal actions to support suppliers”.
- “4.3. Warning mechanism, sanctions and monitoring”

▶ CRITERION 17.

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):

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

☑ 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):

☑ Outcomes of integration of the human rights principles:

No incidents to report.

In this COP 2018, see also:

▶ CRITERION 1:

- “1. Commitment and involvement at the highest level”
- “2. Management and control of actions”

▶ CRITERION 2:

- “3.6. Procedures for regular assessment of subcontractor and supplier situations”
- “4.1.3. External and internal actions to support suppliers”.
- “4.2. Training and oversight system”
- “4.3. Warning mechanism, sanctions and monitoring”

▶ Above “☑ Internal awareness-raising and training on human rights for management and employees”.

▶ CRITERION 17.

Robust Labour Management Policies & Procedures

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

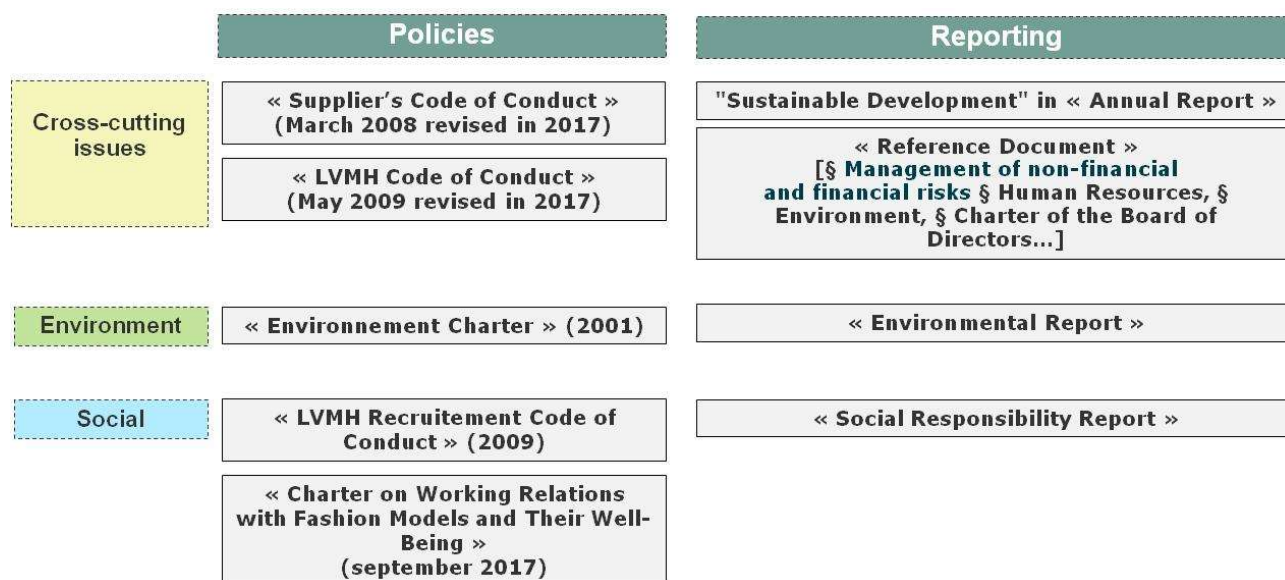
☑ Reference to principles of relevant international labour standards (ILO Conventions) and other normative international instruments in company policies:

☑ 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:

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

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.



Values: In conjunction with operational strategic projects, the LVMH group and its companies have launched discussions on the Group’s values. In 2017, the Group embarked on an extensive collaborative workstream under the banner “**Being LVMH**”, the new platform defining the Group’s values. Three new shared values were adopted: being creative and innovative, delivering excellence, and cultivating an entrepreneurial spirit. The values and actions incorporated into LVMH’s sustainable development approach emerge from a tradition that dates back to the origins of the Group’s companies and forms an integral part of its heritage. The Group’s long-term success depends not only on the strength of its business model and profitable growth strategy, but also on its unwavering commitment to creativity, excellence and sustainability in all aspects of development and corporate citizenship. [📖 See “2017 Social Responsibility Report” (p. 61).]

In this COP 2018:

▶ See also CRITERION 1 (“1. Commitment and involvement at the highest level”).

▶ See also CRITERION 2 (“The COP describes value chain implementation”).

📖 See also “2017 Reference Document” (pp. 44-66, in particular pp. 44-47).

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

Social Responsibility Report: 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. In 2017, the Fashion & Leather Goods business group grew with the acquisition of 80% of high-end luggage manufacturer Rimowa in January 2017 and the integration of 100% of Christian Dior Couture on July 3, 2017. [📖 See "2017 Social Responsibility Report"]

2017-18

☑ Risk and impact assessments in the area of labour:

▶ See also CRITERION 2 in this COP 2018:

- “3.6. Procedures for regular assessment of subcontractor and supplier situations”
- “4.1.3. External and internal actions to support suppliers”.
- “4.2. Training and oversight system”
- “4.3. Warning mechanism, sanctions and monitoring”

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

2017-18

- The “2017 Social Responsibility Report” published a mapping of “**main social responsibility issues**” concerning the main sources of responsibility (p. 12).
- The “2017 Social Responsibility Report” published also the cartography of “**processes and support tools**” allowing to understand the main drivers of performance and reputation (p. 16). LVMH’s policy is structured by a number of different elements:
 - general key processes ensure that the issues associated with each strategic priority are addressed and the objectives met ;
 - each process is based on a number of tools and partnerships defined at the Group level ;
 - Group companies also develop their own initiatives to ensure that local and activity-specific considerations are fully taken into account.
- 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.




• **Development of the risk identification process:**


2017-18

The “2017 Reference Document” (pp. 43-66) contains a new section on the **management of non-financial and financial risks**. This section sets out the main strategic and operating risks facing LVMH and Group companies, particularly those concerning the workforce, including seasonality, strategic skills, health and safety, human rights and fundamental freedoms. This summary work falls within the framework of the implementation of the Law of March 27, 2017 concerning the duty of reasonable vigilance for parent companies and subcontracting companies.

On a more forward-looking basis and in keeping with the main social trends and responsibility issues observed, LVMH's human resources teams and in particular its Social Responsibility Department have drawn up a roadmap that takes account of the main risks and opportunities faced by the Group's business groups.

- As regards measures concerning the **health and safety of employees**, the LVMH group believes that their skills and motivation are what underpin the excellence of the products and services offered by its brands. Their working conditions must enable them to optimally express their talent and feel fulfilled in carrying out their tasks. That is why the Group's commitment to managing well-being at work is closely focused on meeting employees' needs. Actions concerning workplace safety and prevention of workplace accidents take a variety of forms within the framework of a general investment, certification and training program, depending on the diversity of situations encountered within groups of activities. In addition to health and safety issues, Group companies take into consideration of broader concept of well-being in the workplace, which is reflected by a number of initiatives concerning for example preventing work-related stress, services and flexible working hours, allowing for a better work-life balance, or even in relation to the quality of the working environment.

[ See the "2017 Reference Document" (§7. "Health and safety" page 93) and "2017 Social Responsibility Report" (pp. 45-61).]

- **Industrial, environmental and meteorological risks (Risk management system and Business Continuity Plan):** 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. [ See "2017 Registration Document" (p. 50)]
 - 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.

- **Recruitment Code of Conduct and Recruitment without Discrimination training program:**

- The **LVMH Recruitment Code of Conduct**, adopted in 2009, has been widely disseminated to all employees involved in recruitment processes across the Group. It sets forth the ethical hiring principles to be observed at LVMH in the form of fourteen commitments. Special emphasis is placed on preventing any form of discrimination and on promoting diversity.
- As regards hiring new employees, LVMH uses **mandatory anti-discrimination training** to raise awareness at its companies of the importance of recruiting people from all walks of life, including those with and without disabilities.
- **Discrimination testing:** To verify the effectiveness of this system, since 2008 LVMH has undertaken ongoing monitoring of its hiring practices. To this end, the Group has an independent firm carry out discrimination tests based on its own published job offers. The latest such campaign was worldwide in scope. Campaigns to test for discrimination help monitor compliance with the Group's commitments, encourage vigilance among recruiters and managers, and manage the system for avoiding discrimination in hiring.
- With regard to the links between continued employment and preventing discrimination, various policies and best practices have been applied by Group companies.

- **Skills, talent and mobility 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.

- The **annual strategic Organizational Management Review (OMR)** of the Group's talent pool and organization is a cross-disciplinary initiative that involves all Group companies and subsidiaries, aimed at identifying internal talent and ensuring succession to key positions.
- To this end, **mobility meetings** are held between Group companies and different regions to help provide an array of succession options. This process is conducted by taking into account, in particular, indicators of gender diversity as well as intercultural factors.
 - In total, **76% of senior executive positions were filled by promoting high-potential employees** within the Group (74% in 2016). This result is thanks to work to identify the Group's key employees, the careful management of a talent pool of more than 1,000 individuals of 45 different nationalities, 47% of them women, and the activation of succession plans. 2017-18
 - In total, **76% of senior executive positions were filled by promoting high-potential employees** within the Group (74% in 2016). This result is thanks to work to identify the Group's key employees, the careful management of a talent pool of more than 1,000 individuals of 45 different nationalities, 47% of them women, and the activation of succession plans. 2017-18
 - **3,600** managers were transferred to other positions within the Group in 2017 (an increase of 44% relative to 2016), representing around 13.9% of all managers (**56%** of managerial vacancies were thus filled through intra-group transfers). 2017-18
- In these efforts, the Group relies on its proactive, highly **organized and collaborative HR community**, combined with the use of tried and tested processes. Close working relationships have thus been forged between human resources managers from Group companies around the world.
- The effectiveness of their collaboration is evident in particular at the 40 Group-wide talent reviews, informed in turn by talent reviews within individual Group companies, as well as the 50 mobility committees that met in 2017, spanning the entire LVMH ecosystem. Annual appraisals, backed by career development interviews undertaken by HR, also fuel the Group's momentum in this area. We take special care to get to know our employees and to foster their professional development. The personalized support they receive has been improved by upgrading the quality of career discussions and annual appraisals, with training for human resources managers and line managers worldwide. 2017-18
- Lastly, software tools and information systems are adopting a more digital approach to facilitate talent management and give employees greater independence in managing their careers. All employees can take an active role in their own career development using the **MOVE internal job** board, which can be accessed from anywhere in the world via the Group intranet (Voices). In 2017, LVMH posted **4,000 offers** for permanent jobs available at Group companies worldwide, allowing employees to apply and take charge of their career development. 2017-18
- The Group's dedicated talent management tool, **LVMHtalent**, allows the HR function to have an accurate understanding of employees' career paths, aspirations and training wishes. This online platform also enables HR to assess and monitor performance, identify internal candidates, and be proactive in suggesting opportunities. Lastly, this system connects employees across the Group, thus

creating a genuinely digital and social employee experience, but also serves as a useful tool for their career management needs.

- In 2017, through the **“Boost Your Career” program**, special efforts were focused on supporting interns. An initial group of 25 interns at LVMH Group companies were selected to meet with representatives from 11 Group companies in business groups offering more than 25 apprenticeships, VIEs (international volunteer opportunities) or first jobs. Held on April 19, 2017 at the MH Lab, the aim of this unique event was to encourage internal mobility by interns across an ecosystem of 70 Group companies. The program allows for individual interviews with recruiters while also offering the opportunity to find out about business lines and projects within a given market and to talk to representatives of Group companies. 2017-18
- 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. [📖 See many specific initiatives in “2017 Social Responsibility Report” (pp. 39-41):

- In 2014, the LVMH group created the **Institut des Métiers d’Excellence** (IME), a work-linked training program. This initiative helps the Group ensure its expertise is successfully passed on by encouraging younger generations to pursue careers in the fields of craftsmanship, design and sales, thus developing their employability. As of December 31, 2017, more than 1,256 young people were working under apprenticeship or vocational training contracts (including Institut de Métiers d’Excellence) at all of the Group’s French companies. 2017-18

In 2017, the **Sorbonne Nouvelle** and **École Duperré** joined forces with the Institut des Métiers d’Excellence to benefit from its expertise in training and apprenticeships in crafts, design and sales. A pilot program was set up in October 2017, comprising around 10 apprentices studying for the Master’s in Design for Fashion and Creative Industries hired by LVMH group companies.

This new two-year master’s degree course (equivalent to the “Bac + 5” level in France), offered by the Cultural Mediation department within the UFR Arts & Médias at the Sorbonne Nouvelle, gives students access to a curriculum including teaching and initiation to research delivered by specialists in the field. Accredited by the Ile-de-France Regional Council, it is accessible by means of an apprenticeship in partnership with Formasup Paris, an officially recognized apprenticeship training center (CFA).

This degree course, whose curriculum has been designed by the Sorbonne Nouvelle in association with École Duperré, opens up new career opportunities in fields such as fashion and luxury goods, innovation and technical textiles, and trend analysis.

The program also includes additional training provided by the LVMH IME and master classes organized with LVMH group companies.

- **Many Maisons have created their own specific school and academy:**
 - ✓ Christian Dior Couture’s *École des Savoir-Faire*
 - ✓ School of leather goods established by Louis Vuitton in 2010
 - ✓ Berluti Academy
 - ✓ Fendi’s Massoli Academy in partnership with Sartoria Massoli
 - ✓ Loewe’s leather crafts training center
 - ✓ Loro Piana’s Académie de l’Art des Métiers
 - ✓ Watchmaking schools
 - ✓ Moët Hennessy Asia Pacific school for sales managers in partnership with a local university
 - ✓ Chaumet academy

✓ École Boucicaut established by Le Bon Marché.

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

• The Group’s employee representation system consists of three tiers:

- 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 29 members, has one full meeting every year. Delegates meet with the Presidents of all the Group’s business groups to hear about and discuss the Group’s strategic direction, economic and financial issues, and employment-related matters.
- The SE Works Council handles cross-border issues at the European level. 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 (Societas Europaea) was the natural extension of the economic reality of LVMH’s business. Against this backdrop, the Group formed an SE Works Council made up of 28 members from the 21 European Union countries (along with Switzerland) in which it operates. The rules for this representative body are laid down in an agreement that was unanimously approved on July 7, 2014 by elected employee representatives from those 22 countries and by the Group’s Executive Management. In 2017, the SE Works Council held a plenary session on April 7. The 2018 meeting has been held on April 25.

2017-18

• Discussion with employee representation:

- 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.

In 2017, employee representatives attended 1,952 meetings, notably resulting in 126 company-wide agreements being signed.

2017-18

In 2016, nearly all Group companies with stores within “international tourist zones” (ZTIs) in France signed an agreement or unilateral commitment allowing them to open on Sundays on a continuous basis, in accordance with the Macron law introduced on August 6, 2015.

- See in “2017 Social Responsibility Report” (pp. 58-59): “**A wide variety of collective bargaining agreements in France**” and “**Examples of international discussions**”.

2017-18

☑ Allocation of responsibilities and accountability within the organization:

• Responsibility:

In this COP 2018, see also:

▶ CRITERION 1:

- “1. Commitment and involvement at the highest level”
- “2. Management and control of actions”

▶ CRITERION 17.

• 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.
- **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.

In this COP 2018, see also:

▶ **CRITERION 1:**

- “1. Commitment and involvement at the highest level”
- “2. Management and control of actions”

▶ **CRITERION 17.**

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

Introduction: 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.

Results of the training and professional development program:

📖 See:

- ✓ “2017 Reference Document” (pp. 82-8491-92)
- ✓ “2017 Social Responsibility Report” (pp. 29-41).]

2017-18

€121.5 million invested in training worldwide
 2.1% of total payroll
 €832 per full-time equivalent employee
 56.6% of employees trained (vs. 61.4% in 2016)
 290,448 days of training (or 2,033,136 hours)
 2 days of training on average per person

18,841 hours of training focusing on the environment
 37,538 people received safety training in 2017, stable relative to 2016 (37,658 people)
 34,983 permanent or fixed-term employees benefited from an induction seminar at Group companies in 2017, an increase of 8.2% relative to 2016

• Focused actions are in place to boost **Group managers’ leadership and management skills**. In addition to specific programs offered by individual Group companies, LVMH’s Regional Executive Development teams and LVMH House continue to add more sessions and cater for increasing numbers of participants.

- **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. LVMH House holds 30 seminars a year. Most of the Group’s senior managers and high-potential employees take part in at least one LVMH House development action every two years and the training center has a catalog of more than 10 strategic training courses. 2017-18
- In addition to the executive training programs provided by their Maisons, 5,008 managers were able to develop their skills, networks and careers in 2017 by taking part in one of the programs run by the five Regional Executive Development teams around the world. 2017-18
- To go even further in appropriating these values upon which the LVMH group’s success is founded, the **Being LVMH** program has enabled the LVMH group’s 26,631 management-level staff to work collaboratively to identify best practices for employee development corresponding to these values. From this work on the corporate culture, there naturally emerged a conviction that is shared by all leaders within the LVMH ecosystem: “People make the difference”. Each Group company and regional organization, as well as all teams at the LVMH group level, work every day to ensure that employees, managers and executives have more of an impact within their areas of activity and are more committed to developing and refining their management skills and leadership qualities. 2017-18

- 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.
- Most other Group companies have implemented a variety of measures to support **adoption of the CSR approach**: presentation of the CSR approach (Moët & Chandon - Ruinart), training in responsible consumption (Moët Hennessy Diageo, Hôtel Cheval Blanc), test of employees' knowledge of the contents of the CSR report (LVMH Fragrance Brands), and raising awareness about people with disabilities and older workers (Chaumet).
 - 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.
 - Each Group company holds its own induction and awareness seminars for new hires focusing on its **culture, its values, its key management principles, and knowledge of its brands**. At Louis Vuitton, the induction day is a key step for all new external recruits and internal transferees, and an opportunity for the company to share its CSR commitments. The induction process for work-linked training students and interns has been improved by introducing a passport and booklet containing a host of practical information about the company and its **CSR commitments**. The Yammer network enables workers to exchange frequently via specific discussion groups about initiatives and projects managed by staff at headquarters in the areas of quality of life at work, the environment, and occupational health and safety.
- See also specific issues in “**2017 Social responsibility Report**”:
 - "Retail-specific challenges" (pp. 33-34)
 - "Digital training" (p. 34)
 - "Strategic training for innovation" (pp. 35-36)

1. Non-discrimination:

▶ See also CRITERION 4 in this COP 2018 (“ Internal awareness-raising and training on human rights for management and employees”)


2. Health & Safety:

[ See:

- ✓ “Health and safety” in “2017 Reference Document” (p. 93)
- ✓ “Continuously improving quality of life in the workplace” in “2017 Social Responsibility Report” (pp. 45-61).]

2017-18

- **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 and harassment” in “2017 Social Responsibility Report” (pp. 51-52).]

2017-18

- **Investments and training:**

2017-18

- Expenditure and investment related to working conditions totaled more than **EUR 52 million in 2017**, down 17.4% with respect to 2016. This amount equated to 0.9% of gross payroll for all operations worldwide. The **EUR 34.2 million** invested in health and safety represented an increase of 7.5% in 2017 with respect to 2016. This includes costs related to occupational health, protective equipment, and health and safety improvement programs covering compliance for new equipment, signage, replacement of protective equipment, fire prevention training, and noise reduction.
- A total of **37,538 employees** received safety training at Group companies around the world. This number was stable relative to 2016, following the very sharp increase (36.6%) between 2014 and 2015.

- **Programs and best practices:** [📖 See many initiatives in “2017 Social Responsibility Report” (pp. 38-61).]

2017-18

- A new commitment: The “**Charter on Working Relations with Fashion Models and Their Well-Being**”.
- At Group level, as part of a project looking at the possibility of standardizing healthcare benefits, the “**Coeur Social**” program provides for the introduction of common core benefits. [📖 See “2017 Reference Document” (p. 65).]
- **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, communication and awareness:**
 - 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.
 - Group companies participated in the Week for Quality of Life in the Workplace, held from October 9 to 13, 2017 and organized by ANACT, the French national agency for the improvement of working conditions. For example, Moët Hennessy Diageo launched a proactive campaign on quality of life in the workplace for its 63 top managers focused on managing performance while maintaining a supportive approach. The health and safety committee as well as union and employee representatives were involved right from the start, with a work meeting between committee members and a consulting firm. They reiterated their support for the program and its first training sessions introduced in spring 2015.

☑ 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:

- **Grievance mechanism and whistle-blowing procedures**

2017-18

▶ See also in this COP 2018 “Grievance mechanism, communication channels and other procedures (e.g. whistle-blower mechanisms)” in:

- “CRITERION 4: The COP describes effective *management systems* to integrate the human rights principles “
- “CRITERION 10: The COP describes effective *management systems* to integrate the environmental principles”

- Organized dialogue with unions and employee representatives does not exclude the possibility of **consulting employees directly on specific issues.**

2017-18

- Some Group companies operating outside France, such as Parfums Christian Dior (in 2017) and Bvlgari, have put in place whistleblowing procedures in some countries. Sephora America put in place a whistleblowing procedure in 2016. Employees at Moët & Chandon and Ruinart have access to a process for escalating complaints. HR morning meetings provide details and responses to issues that have generated complaints. In January 2017, TAG Heuer set up the services of a counselor outside the

company as a neutral third party whose role is to meet with any employee wishing to discuss professional or personal problems liable to affect his or her health, with complete confidentiality. In France, at Sephora, a system for submitting concerns via an intranet forum has been set up for employees.

- In 2017, Hennessy ran its third MH opinion survey, which includes a number of sections covering commitment, leadership, culture, values, the working environment, career development, pay and employee benefits. The induction process for all new hires includes an overview of the company's trade union landscape, how employee representative bodies work, and the state of labor-management relations. Moreover, all production sectors hold weekly and monthly meetings to keep staff informed and engaged. Institut Social Hennessy celebrated its 70th anniversary in 2017.
 - Organized dialogue with union and employee representatives does not exclude the possibility of consulting employees directly on their level of satisfaction. In 2017, Louis Vuitton introduced its Respect and Benevolence Charter to help promote dialogue between employees and management. The company's Acting Together approach is designed to help improve how issues are resolved. Many companies carry out annual surveys, an example being Hôtel Cheval Blanc. Survey findings provide true insight into employee expectations. Moët Hennessy's January 2017 opinion survey achieved a participation rate of 78% and resulted in an overall favorable opinion rate of 80%.
 - In June 2017, Sephora ran Sephora Voice, an employee engagement survey covering the entire workforce. With a participation rate of 87%, the survey showed that 80% of employees are engaged overall and recommend Sephora to outsiders as a good place to work. At the same time, the survey helped better identify areas for improvement in each country. All findings were shared with employees through a process involving local managers. Action plans were drawn up in each country. Minimum commitments will be put in place in 2018 for areas covering more than one country.
 - DFS has been developing its employer-employee dialogue mechanisms for several years. In 2017, keen to broaden inclusion, the company extended its approach to all employees, including those working in stores. Employees who are reluctant to speak out in public can use an automated email address. Meetings are held quarterly or more often, depending on needs. DFS also has a mailbox that can easily be accessed from its intranet home page, where employees can submit questions directly to the Chairman and Chief Executive Officer. In addition to the twice-yearly survey of all employees, 2017 saw the introduction of a survey open to all temporary staff. A shorter annual survey is used to gather specific comments from employees based on their answers to the twice-yearly survey. To ensure confidentiality, the survey is administered by an external provider.
 - Most Group companies, like Acqua di Parma and Berluti, have developed a range of tools, such as information and discussion portals, in-store workplace dialogue and information processes, and retail seminars to strengthen relationships and increase interaction. In 2017, Berluti conducted a nationwide survey on creating patina workshops including suitably adapted, safe processes to prevent health risks and improve quality of life in the workplace. Le Bon Marché adopted a similar approach, carrying out a survey of all employees on quality of life in the workplace, which was also extended to demonstrators working in stores. Thanks to a similar survey, Les Echos was able to improve the assessment of workplace risk, upgrade workstation ergonomics, and design collaborative workspaces.
- **Specific issues 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.

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 - Adopting and running a strategic project or a development project at a Group company can also be an opportunity to involve employees in thinking about the way forward. For example, in view of its expansion in China, Kenzo ran a series of monthly talks entitled “Kenzo loves China” featuring speakers who know the country (including business leaders and experts). Similarly, Zenith, in the midst of its transformation process, held meetings for all employees in 2017 overseen by its President to talk about new products and developments within the company.

- 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.
- In another example, employees at Céline took part in drawing up the handbook for the corporate project. This document was translated into six languages explaining the essence of the company from four angles: 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. Each member of the Management Committee then discussed it with their teams (150 participants), with an emphasis on the company’s values, after which it was communicated to international retail teams through a series of videoconferences.
- 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. All of the company’s employees in Italy also took part in this event. In July and September 2017, two conferences were held to give all employees the opportunity to talk about the company’s organization, projects, results and goals. A new HR intranet launched in November 2017 supports proactive communication on strategic priorities.
- Lastly, as part of the project to close down the Franck et Fils store, Le Bon Marché finished reassigning employees within the Group and made arrangements to monitor how each employee was adjusting to his or her new position. Following the signing of the agreement on workforce-related support measures linked to the store transformation project, a feedback system was set up to let employees voice their concerns, along with a space dedicated to employee reassignment.

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:

▶ See also CRITERION 7 in this COP 2018 “ Risk and impact assessments in the area of labour”.

- 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.
- **Collective bargaining agreements and financial performance:**
 - The relationship between workplace well-being and financial performance is at the heart of the CSR debate. Although Group companies do not have access to tools or indicators proving that there is always an objective relationship between the two, this issue nevertheless prompts them to consider the impact of collective bargaining agreements on both the company’s financial performance and employees’ working conditions. For example, the various agreements and amendments relating to the *contrat de génération* (cross-generation contract) combine its impact on financial performance and on working conditions, with a particular emphasis on retaining older employees, creating sustainable employment opportunities for young people, and passing on skills within companies.
 - As regards the impact on financial performance, the various agreements on time savings accounts and gender equality also strengthen employees’ motivation and commitment.
 - With respect to the impact on working conditions, some flexible working agreements (covering evening and Sunday work) are based on the principle that employees have a choice of accepting or rejecting extended hours and that those who accept can reverse their decision at a later date. They also include various support measures such as pay increases and time off in lieu, coverage of childcare costs, coverage of commuting costs after 10 p.m., and specific medical monitoring of employees who regularly work in the evening.

[ See “2017 Social Responsibility Report” (p. 59)]

- **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. Its aim is to promote a mixed working environment where talent is able to flourish, by offering equal opportunities to all. Combining specific actions with coaching to provide proactive, practical support for women leaders, EllesVMH has become an international brand that channels energy into 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.
 - As regard key positions within the Group, to mark the 10th anniversary of the EllesVMH initiative, launched in 2007 by Chantal Gaemperle, the Group reviewed its commitment in 2017. Between 2007 and 2017, the proportion of women holding key positions within the Group rose from 23% to 40%. Given this progress, a new target has been set: to achieve parity for key positions by 2020, summarized in the slogan **“50/50 by 2020”**. 2017-18
 - To mark International Women’s Day on March 8, 2017, the LVMH group organized an exceptional event on the theme “Inspire to Action”. A competition aimed at recognizing Group companies’ best initiatives to encourage gender diversity was launched under the name **EllesVMH Awards**. 2017-18
 - The EllesVMH program continues to develop its existing projects, including its two main training initiatives, **EllesVMH Coaching** and **EllesVMH Connect**. On average, around 40 women haven taken part in EllesVMH Coaching courses every year since it was launched in 2013. In 2017, the number was 35. 2017-18
 - LVMH continues to track the career development of its talented women through its annual organizational review, using a set of targets and key indicators.
- **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...

- **Strategic training for innovation:**

- LVMH is continuing to innovate in the field of Executive Development. The first **DARE (Disrupt, Act, Risk – to be an Entrepreneur)** event took place from July 7 to 10, 2017. DARE invites LVMH group executives to dare to put forward ideas to shape the future of the luxury goods industry, and gives them an opportunity to work collaboratively on those ideas. Working methods inspired by the new economy will help them to be even more agile and more innovative, while also allowing them to cultivate the entrepreneurial spirit within the LVMH ecosystem. [📖 See “DARE program” in “2017 Social Responsibility Report” (p. 35).]
- For 2018, **Louis Vuitton** aims to consolidate its entire training offering, prioritizing the integration of Being LVMH and the digital rollout of its training program (blended learning, e-learning).
- In **Perfumes & 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 and reinforced in 2017 with the participation of more than 200 employees. Throughout their careers, all Make Up For Ever employees attend training sessions allowing them to gain in-depth understanding of the identity and values of the brand and the Group. The company places particular emphasis on joint responsibility, with each employee being the key player in his or her own development. The events that took place in 2017 include a forum bringing together 100 managers on the issues of creativity, agility, working together and the entrepreneurial spirit, as well as the introduction of a support and development program to improve the skills of makeup artists and a program on product development. Lastly, Make Up For Ever organized team workshops on projects combining creativity and innovation, which were presented to the Executive Committee.
- In **Watches & 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 its 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 continued with the measures launched in 2016, introducing a Management Club dedicated to change, the main aim of which is to improve employees’ management skills. In order to develop innovation, all employees benefit from training in self-understanding using the MBTI (Myers-Briggs Type Indicator) tool, thereby helping to improve cooperation on the basis of a common language.

- **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.

- For the twelfth year running, LVMH took the top spot on **Universum France’s list** of preferred employers for students at leading French business and management schools, which was published in early April 2017.
- For the ninth consecutive year, LVMH was also ranked the top preferred employer in the French edition of the **Trendence Graduate Barometer** in April 2017, based on an online survey of students at the country’s leading business schools.
- For the second **LinkedIn Top Companies** rankings and the second consecutive year, in May 2017 LVMH was named “most attractive employer in France” and ranked eighth worldwide.
- Alongside these Group-wide initiatives, several Group companies – such as Louis Vuitton, Guerlain, Parfums Christian Dior, and Sephora – regularly launch their own employer communication campaigns in order to attract the best candidates. Some Group companies – depending on what they do or their size – may appear in certain other rankings, such as Berluti and Loewe, named as among

“**The Best Companies To Work For In Fashion**” for 2017 by the independent online publication *The Business of Fashion*. Among other examples, Céline, Louis Vuitton and Parfums Christian Dior have been accredited and rated using the **Happy Trainees method**, which identifies companies that care about how they receive, support and manage interns. Companies are rated exclusively by interns, who evaluate their company according to six criteria.

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

▶ See CRITERION 7 in this COP 2018 (“☑ Dialogue mechanism with trade unions to regularly discuss and review company progress in addressing labour standards”).

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

1. Social and environmental audits: The Supplier’s Code of Conduct sets forth the principle and procedures for the control and audit of compliance with these guidelines. In the interest of continued improvement in this area, the Group’s Houses have continued their supplier audit programs in 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 CRITERION 2 in this COP 2018 (“3.6. Procedures for regular assessment of subcontractor and supplier situations”).

2. Best practices for the year 2017: 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 CRITERION 2 in this COP 2018:
- “3.6. Procedures for regular assessment of subcontractor and supplier situations”
- “4.1.3. External and internal actions to support suppliers”.

☑ 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 2017: 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 2017, Ernst & Young issued a verification/attestation on those indicators.

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[📖 Labour indicators and KPIs are available in:

- “2017 Reference Document” (“Human Resources” section pp. 79-97).
- “2017 Annual Report” (pp. 27-31 and 135).
- “2017 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.


- **Bernard Arnault, Chairman and Executive Officer**, has been involved in several explicit statements (especially at the AGM). In 2017, the LVMH Environmental Department also 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 this COP 2018, see also:

- ▶ CRITERION 1 (“1. Commitment and involvement at the highest level”).
- ▶ CRITERION 17.

- On September 20, 2017 LVMH celebrated the **25th anniversary of its Environment Department** at two evening events named “Future LIFE”. This anniversary brought together the Maisons’ Chairmen, as well as the community of experts that works on protecting natural resources on a daily basis within the Group. It provided an opportunity to review LVMH’s pioneering environmental initiatives between 1992 and 2016, which were retold in a retrospective film. The event also focused on the future, via the presentation of the **LIFE 2020 Program**, which will enable the company to go further along the path of environmental excellence in coming years. The evening was also marked by an announcement that the size of the internal Carbon Fund set up by LVMH in late 2015 would be doubled as from 2018. The Group thus intends to reduce its greenhouse gas emissions at a faster rate, in order to achieve its new objective, namely a 25% reduction between 2013 and 2020. Future LIFE, which provided an exceptional discussion forum, was interspersed with a great number of speeches. “By including the environmental imperative as a source of innovation, we made it a driver for our growth strategy very early on. The LVMH Group is proud of having been a pioneer for the past 25 years. It undertakes to remain one,” said Bernard Arnault, the Group’s Chairman and Chief Executive Officer, in his introductory address. [ See below and “2017 Environmental Report” (p. 22)]

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- LVMH, which supports the **SDGs initiative** and wishes to participate in the efforts made, has launched a review aimed at assessing the contribution of its LIFE Program to the SDG. More than 150 measures, covering 12 objectives and 34 targets as a priority, have been reviewed in detail. Analysis showed that the Group made a particularly large contribution in two areas: responsible consumption (Goal 12) and combating climate change (Goal 13). [ See “2017 Environmental Report” (pp. 10-11)]

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- **LVMH carbon fund:** In 2015, LVMH sets up an internal carbon fund, a pioneering initiative in the luxury goods industry to mark **COP21 in Paris**. The aim of this fund is to finance projects launched by its Maisons to help combat climate change.

After the successful launch of its carbon fund, **LVMH announced in September 2017, at the event celebrating the 25th anniversary of its Environment Department, that it**

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will be doubled in size during 2018. This means that the Maisons' contributions have been calculated on the basis of EUR 30 per metric ton of CO₂ produced since January 1 this year. [📖 See “2017 Environmental Report” (pp. 37-38)]

• **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.

- As it does for its internal communications, **LVMH relies on major national and international events**, such as Sustainable Development Week and summits on the climate and biological diversity organized under the auspices of the United Nations, as well as the Convention on International Trade in Endangered Species of Wild Fauna and Flora, etc. These events enable the company to demonstrate its commitment to the environment, set out its view of the issues addressed, and share information and best practices.

In 2017, for example, LVMH attended the **Fifth International Africa and Beauty Forum**, which was held in Lomé, Togo, from February 20 to 24. In fact, Sylvie Bénard, the Group's Environment Director, was the sponsor of this event. Based on the theme “Nature, beauty, sensoriality and spirituality”, this event highlighted the importance of plants in current and future beauty products. It provided an opportunity to draw up a situational analysis of supply chains showcasing African plants in various areas, including cosmetics, and to review the implementation of the Nagoya Protocol. LVMH actually presented its work on two medicinal African plants with cosmetic properties, *Opilia* and *Hibiscus*. [📖 See “2017 Environmental Report” (p. 23)]

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- 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. In the case of its research and development activities, the Group pays great attention to complying with the regulations arising from the implementation of the Protocol on Access to Genetic Resources and the Fair and Equitable Sharing of Benefits Arising from their Utilization to the Convention on Biological Diversity adopted on 29 October 2010 in Nagoya, Japan, and entered into force on 12 October 2014. Also known as the **Nagoya Protocol on Access and Benefit Sharing (ABS)** this protocol is a 2010 supplementary agreement to the 1992 Convention on Biological Diversity (CBD).
- 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”.
- LVMH takes also into account 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 also wants to contribute to the transfer of knowledge from the scientific sphere to the corporate and civil society spheres. This is what drives the Group to support, in particular, **research on an accounting system for natural capital**. This is a major challenge, since many public or private operators see protecting natural resources as hindering their development. LVMH wishes to provide a scientific insight, in order to encourage a better inclusion of natural resources in companies' strategies. Two theses financed by LVMH have highlighted the **interdependence between companies and biodiversity**. LVMH intends to promote what is known as “**strong**” sustainability. Unlike “weak” sustainability, this concept is based on the complementarity between technical, human and natural

capital, and therefore does not permit any interchangeability between these three types of capital. In the accounting system, it requires observance of environmental thresholds and balances in order to protect the environment. LVMH is planning to finance a French Environmental Accounting Chair that will act as advocate for this approach. [📖 See “2017 Environmental Report” (p. 21)]

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☑ 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.

☑ 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.

☑ Written company policy on environmental stewardship:

☑ Specific commitments and goals for specified years:

Blueprint For Corporate Sustainability Leadership

Promotion and Support of the UN Global Compact

☑ Advocate the UN Global Compact to business partners, peers and the general public.

☑ Encourage suppliers and other business partners to join the UN Global Compact, and take on mentoring role on issues related to the initiative.

☑ Participate in activities to further develop and strengthen the UN Global Compact.

Blueprint For Corporate Sustainability Leadership

Local Networks and Subsidiary Engagement

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

New corporate strategic program:

▶ See also CRITERION 2 in this COP 2018 (“The COP describes value chain implementation”).

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.”

• **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.* »

- 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. [📖 About the **main challenges of each business group**, see “2017 Environmental report” (pp. 12-13).]

- **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 consider 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 **9 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 “2017 Reference Document” (pp. 101-102) and also “2017 Environmental Report” (p. 15)]:
 - 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 CO₂ 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.

- Additionally, in 2017 the “Environmental report” includes and summarizes **different targets** [📖 See “2017 Environmental report” (pp. 28, 32 and 37).]:



- **Performance of products:**

Indicators	Baseline	2017 performance	2020 objective
Perfumes & Cosmetics EPI	8.32	+3%	+10%
Wines & Spirits EPI	Champagne: 16.03	Champagne: +4%	+10%
	Hennessy: 10.6	Hennessy: +7.5%	

○ **Highest standards in the supply chain:**

Indicators	Baseline (2013)	2017 performance	2020 objective
Wines & Spirits			
Sustainable viticulture certification	LVMH vineyards: Northern hemisphere: 100% Southern hemisphere: 70% Grape suppliers: Champagne (7%)	LVMH vineyards: 100% Grape suppliers: Champagne (13%)	LVMH vineyards: 100% (achieved)
Fashion & Leather Goods			
LWG certification of the tanneries	25%	34%	70%
Certified cotton (BCI or organic cotton, etc.) or recycled cotton	2%	5%	70%
Certified furs	Data not available	54%	70%
Perfumes & Cosmetics			
Performance of perfume ingredient suppliers	64%	70%	75%
Performance of cosmetic ingredient suppliers	56%	65%	75%
Watches & Jewelry			
Diamonds: RJC COP certification	90%	98.5% <small>(3 Watches & Jewelry Maisons are not included in the scope)</small>	100%
Gold: RJC COP certification (including the products of the Fashion & Leather Goods Maisons)	70%	76%	100%

○ **Reduction of CO₂ emissions:**

Indicators	Baseline	2017 performance	2020 objective
Reducing CO ₂ emissions by 25% (scopes 1 and 2 at constant consolidation scope)	220.480 CO ₂ eq metric tons	-12%	-25%
Reaching 30% of renewable energy in the Group's energy mix	1%	29%	30%
Improving the stores' energy efficiency by 15% (in kWh/square meters)	460 kWh/square meters	-19%	-15% (target achieved in 2017)

● **Ethno-botany and sustainable viticulture** [📖 See “2017 Environmental Report” (p. 31)]:

- In the Perfumes and Cosmetics business group, the Research & Development Department and Group companies have been working together on **ethnobotany** for a number of years. They seek to identify plant species with a particular interest as components of cosmetics products while contributing to the preservation of these species and to local economic development. This partnership can take a variety of forms such as financial support, technical or scientific assistance, or skills sponsorship, sharing the expertise of the Group's staff with its partners. As part of this initiative, **Parfums Christian Dior's Dior Gardens** are plots dedicated to cultivating flowering plants chosen for their exceptional properties. Guerlain has also launched a number of partnerships focused on **orchids** in China, **vetiver** in India, **honey** in Ouessant in France, **sandalwood** in Asia and **lavender** from the south of France. [📖 See “2017 Reference Document” (p. 110).]
- **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.

In this COP 2018:

- ▶ See CRITERION 2 (“sustainable viticulture”).
- ▶ See CRITERION 9 (“Ethno-botany and sustainable viticulture”).

- **Reducing and recovering waste** [📖 See “2017 Environmental Report” (pp. 46-50)]:

 - In 2017, **91 %** of the 78,549 metric tons of waste generated by business activities in 2017 were recycled, recovered as energy or re-used [**86% in 2016**]. Many Maisons implemented initiatives in the field of waste management, based **upon design and products**. 2017-18
 - **Use of recycled components:** A part of this (2,143 metric tons) was treated by **CEDRE** (Environmental Center for Environmentally-Friendly Packaging Elimination and Recycling), opened at Pithiviers in 2009. Over the years, a growing number of Maisons have had a wide variety of items transported to the facility, ranging from bio-waste to advertising materials, uniforms and product testers. Thanks to various selective sorting channels, all these items are treated according to the specific features of their recovery process, which may therefore be maximal. CEDRE sells the product of this treatment process (glass, cardboard, wood, metal, plastic, alcohol, and cellophane) to around 60 specialist recycling centers. 2017-18
 - The Group has a keen interest in the **circular economy** and has published a White Paper on the subject, prepared jointly with the French Federation of Beauty Companies. 2017-18
 - For example, the **shopping bag launched by Louis Vuitton** in 2017 when it opened its store at the place Vendôme in Paris, was manufactured with a special paper that replaced 25% of the wood fibers with leather cut-offs that had been ground down to powder. The bag remains recyclable and compostable. The fragments of matter visible on the surface give it a natural appearance, which is complemented by being very soft to the touch. Louis Vuitton, attracted by the qualities of this new paper, is thinking of applying it for other purposes as from 2018. Finally, LVMH is also thinking about new ways to act, for example testing the shared collection of waste from seven boutiques in Paris. 2017-18
 - **This momentum towards sustainable waste management intensified in 2017**, thanks to the measures taken by the Maisons, in all LVMH’s business sectors. In the United States, for example, Sephora has reduced the amount of equipment used for the decoration and display of its sales floor areas, thus reducing the amount of waste at source. At its new London offices, Thomas Pink has set up several recovery channels, in particular for food waste, electrical and electronic waste, glass, and batteries. In Paris, Guerlain had its Champs-Élysées store window decorated by a renowned artist using cardboard boxes from its Chartres production facility. Moët & Chandon organized a charity sale of advertising items by offering them to its employees at very attractive prices and passing on the proceeds of the sale to two local associations. Céline has formed a partnership with an external service provider to recover and recycle the construction and interior-decoration items (doors, joinery, ceilings and lights) from its former stores. Louis Vuitton has drawn up and circulated throughout its network end-of-life instructions for its merchandising materials, including the presentation stands for its products, or uniforms advocating re-use or recycling as best practices. In France, Louis Vuitton works with a number of organizations that promote the re-use of various materials, decorations, or products (La Réserve des arts, Bilum, ArtStock and Atout Linge, for example). Louis Vuitton is currently seeking to extend this best practice locally by finding partners to increase the overall recovery rate. To date, New York and Hong Kong have identified this type of partners. 2017-18
 - In order to face the challenges of LIFE 2020, **the Maisons dedicated 2017 to preparing for new progress**. Parfums Christian Dior has introduced a sub-metering system for its waste in order to start an analytical approach. In Europe, Sephora measured the actual weight of the daily waste at its stores: this study showed that the weight varied significantly depending on the rotation of events, and the Maison is now considering a selective sorting process. In Italy, Bvlgari formed a pioneering partnership with ECS (Ecologia Consulenza Servizi) in order to

develop the circular economy in Perfumes & Cosmetics. The Maison is experimenting with a new and more effective sorting and recycling process. It then wishes to enable other Italian Maisons such as Acqua di Parma to benefit from this experiment. These initiatives should enable an increase in the waste recovery rates at the LVMH Group, some of which are already high. As a result, LVMH Fragrance Brands recovers more than 96% of the waste produced at its two workshops at Vervins and Beauvais.

• **Increasing the lifespan of products:** A product's lifespan is one of nine key aspects of environmental performance listed in the LVMH "LIFE 2020" program. Increasing the lifespan of products is another way to reduce their environmental impact. LVMH has a major advantage in this field. Its extremely high-quality standards, intrinsic to the luxury goods sector, are an essential aspect of the Group's activities. [See "2017 Environmental Report" (p. 31).]

2017-18

- The Maisons in the Watches & Jewelry and Fashion & Leather Goods sectors, in particular, have always focused on industrial items with a very long lifespan, some of which are passed down from one generation to the next. Some Maisons have set up after-sales services in order to extend the use of these items. This is the case of Louis Vuitton, which has several repair workshops, and of Loewe, which has a maintenance and cleaning service for its ready-to-wear and leather items.
- Meanwhile, the Maisons in the Perfumes & Cosmetics sector are taking action by developing refillable packaging. For example, 80% of the creams and serums launched by Parfums Christian Dior are now marketed in this format. This enables the Maison to save of 600,000 liters of water and about 11.6 metric tons of waste every year for the *Capture Totale* cream alone. "Refill-ability" is also the focal point of the Boutiques' concept. Guerlain has also rolled out its Guerlain Parfumeur concept in several boutiques in Paris and Brussels. This concept includes a system of women's perfume fountains, while the emblematic Bee bottle, which has always been refillable, has become customizable and reusable, and can therefore be refilled indefinitely. The Maison has completely reviewed the design of the bottles for all its women's perfumes in a single screw-top format, and so improved their EPI by an average of 68%. These bottles are now also refillable at some of the Maison's boutiques, and much easier for the customer to recycle, in any event.

• **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 trade marking the origin of vicuna fibers, which will enable **better traceability**.
- 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:

Blueprint For Corporate Sustainability Leadership

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.

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.

In this COP 2018 see also:

- ▶ CRITERION 1 (“Strategy”)
- ▶ CRITERION 2:
 - “2. Risk identification”
 - “2. Targets relating to specific challenges for groups of activities”
- ▶ CRITERION 9 “The COP describes robust *commitments, strategies or policies* in the area of environmental stewardship”

• **Business groups’ main challenges:** 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. 2017-18 [📖 See “2017 Environmental Report” (pp. 12-13).]

• **Major risks:** The LVMH group’s activities are exposed to various risks that are the object of regular risk management and identification within the context of primarily regulatory reforms. In this regard, the implementation of the Law of March 27, 2017 concerning the duty of reasonable vigilance by parent and ordering companies has resulted in improved identification of risks and helps to prevent particularly serious abuses of the environment. 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,...). 2017-18 [📖 These risks are discussed in “2017 Reference Document” (p. 50 and more generally pp. 43-66).]

	“2017 Reference Document”	“2017 Environmental Report”
Business Groups’ Main Concerns	pp. 101-102	pp. 12-13 pp. 14-15
Consumer safety	pp. 50-51 pp. 110-111	pp. 32-36
Anticipating expectations of Group customers	pp. 48-49	p. 23 p. 51
Industrial, environmental and meteorological risks, whose adapting to climate change	p. 50 pp. 102 and 109	p. 43 p. 50
Commodity market risk, target products, target supply chain	pp. 52 and 106	pp. 28-31 pp. 31-36

1. Key management and external certification processes:

- At the end of 2017, **63%** of the Group’s **productions sites** were **ISO 14001** certified. [📖 See “Continuously improving thanks to certification” in “2017 Environmental Report” (p. 50).] 2017-18
- Some of LVMH’s Maisons use standards other than ISO 14001 in order to make progress from an environmental standpoint.
 - Since 2016, the Cheval Blanc hotel at Courchevel in France and the Randheli Hotel in the Maldives have been certified by **Earth-Check** (the equivalent of ISO 14001 in the hotel sector) at the “Silver” level.
 - All Fendi’s sites in Italy have dual ISO 14001 and **OHSAS 18001** (British Standard Occupational Health and Safety Assessment Series, the British standard for managing health and safety in the workplace) certification. Belvedere is also OHSAS 18001 certified and has been awarded **ISO 50001** certification, which involves guidelines for the management of energy efficiency.
 - The Champagne, Hennessy and Belvedere Maisons have been awarded **ISO 22000** certification for management of the security of foodstuffs. Finally, in the United States, Chandon California and Newton have been awarded Napa Green Winery and Napa Green Land certification, awarded to vineyards and wineries in the Napa Valley that use environmentally friendly farming methods.

[📖 See also by reminder **all certification processes:**

- ✓ "2017 Reference Document" (pp. 63-64, 102 and 107)
- ✓ "2017 Environmental Report":
 - “Ensuring compliance of the materials and substances presented in the products” (pp. 32-34)
 - “Preferring certified supplies” (pp. 34-35)
 - “Making sustainable construction widespread” (pp. 43-44).
 - “Continuously improving thanks to certification” (p. 50)]

2017-18

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

- Group companies are regularly audited by third parties, insurers or internal auditors, enabling them to keep their compliance monitoring plans up to date.

In 2017, certain manufacturing, logistics and administrative sites, as well as certain large stores, were audited, for a total of **87 external audits** and **147 internal audits**, with some sites being audited several times during the year. Such audits correspond to an inspection of one or more sites belonging to the same company, covering all relevant environmental issues – waste, water, energy, and environmental management – and are documented in a written report including recommendations. The figure does not include the numerous compliance controls that may be performed on a specific environmental regulation issue – for example, a waste sorting inspection – performed periodically by Group companies at their sites. [📖 See “2017 Environmental Report” (pp. 50 and 102).] 2017-18

- 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. 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. Continuous improvement in the quality of risk prevention is an important factor taken into account by insurers in evaluating these risks and, accordingly, in the granting of comprehensive coverage at competitive rates.

This approach is combined with an industrial and environmental risk monitoring program. **In 2017, engineering consultants audited about 55 sites.**

2017-18

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 external auditors and the various certifying bodies (RJC, ISO 14001, etc.) help to reinforce the current system through their work and recommendations.

▶ See also CRITERION 2 in this COP 2018 (“2. Targets relating to specific challenges for groups of activities”).

- LVMH pays considerable attention to the traceability and **compliance of all the materials and substances used to manufacture the products marketed** by its

2017-18

Maisons through for example **LVMH RSL** (Restricted Substances List) and **LVMH Testing Program**.

[📖 See “2017 Environmental report” (pp. 32-34)]

- 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 “6. Consumer Health and Safety” in “2017 Reference Document” (pp. 110-111) and “2017 Environmental Report” (pp. 32-34)]

- 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.,
 - Particularly in the Perfumes & Cosmetic activities the Group remains particularly vigilant to ensure continuing compliance with regulatory requirements, while monitoring the opinions of scientific committees, and the recommendations of industry associations in Europe and throughout the world. Moreover, new products must abide by a set of strict internal guidelines imposed by the Group as criteria for their development. The Group also requires that its suppliers adhere to these same guidelines.
 - Honoring its commitments in this area for the last several years, the LVMH group has accompanied this policy with an approach that aims to anticipate developments in international regulations. This anticipation is made possible thanks to the efforts of the Group’s experts, who regularly take part in the working groups set up by national and European authorities, and are very active in professional organizations. Ongoing monitoring of changes in regulatory frameworks and the development of scientific knowledge by the Group’s experts has regularly led LVMH to prohibit the use of some substances and make efforts to reformulate some of its products.

4. Suppliers-related risks:

- **Prevention of suppliers-related risks.**

▶ See also CRITERION 2 in this COP 2018:

- “3.6. Procedures for regular assessment of subcontractor and supplier situations”
- “4.1.3. External and internal actions to support suppliers”.
- “4.2. Training and oversight system”
- “4.3. Warning mechanism, sanctions and monitoring”

- **Certifications:**

In this COP 2018 see also:

- ▶ CRITERION 2 (“2. Targets relating to specific challenges for groups of activities”).
- ▶ CRITERION 11 (“Sustainable construction and renovation”).
- ▶ CRITERION 16 (“6. Environmental projects”).
- ▶ CRITERION 18 (“3. Research and professional exchanges with organizations”).

5. Expenses and provisions [📖 See "2017 Reference Document" (p. 102)]:

2017-18

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

- operating expenses: EUR 14.5 million in 2017 (EUR 13.5 million in 2016 i.e. an increase by +7.4% in 2017/2016 after an increase by +19.5% in 2016/2015);
- capital expenditure: EUR 20.5 million in 2017 (EUR 10.3 million in 2016 i.e. an increase by +99% in 2017/2016).

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, 2017 (EUR 13 million indicated for 2016 and 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:

In this COP 2018 see also:

- ▶ CRITERION 1:
 - “1. Commitment and involvement at the highest level”
 - “2. Management and control of actions”
- ▶ CRITERION 2:
 - “3.6. Procedures for regular assessment of subcontractor and supplier situations”
 - “4.1.3. External and internal actions to support suppliers”.
 - “4.2. Training and oversight system”
 - “4.3. Warning mechanism, sanctions and monitoring”

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

- ▶ See also CRITERION 9 in this COP 2018 (“The COP describes robust *commitments, strategies or policies* in the area of environmental stewardship”).

The Maisons also rely on the **life-cycle analysis (LCA)** of the products, which was used for the first time by Hennessy in 1992. Among the four targets of strategic LIFE program, the Group’s Maisons will improve the environmental performance of all of their products by 2020, by taking into account their entire life cycle. [📖 See "2017 Environmental Report" (pp. 15, 21, 28 and 30)]

- As it considers this method to be crucial for rethinking the design of its products, in 2017 Bvlgari actually organized two training days on this subject for its management teams. The use of life cycle analysis is increasing at many Maisons. For example, Sephora carried out an analysis on the life cycle of 10 products that were representative of all its Sephora Collection ranges in 2016. It was therefore able to launch an eco-design process for three of the products: a lipstick, an eye shadow, and a brush.

2017-18

- During the year 2017, Louis Vuitton also tested broadening the application of eco-design to events creation. The “Time Capsule” exhibition, which presents the brand’s heritage products, was used as a pilot. It was the subject of a life-cycle analysis carried out with the Mu Cooperative, an agency specializing in eco-design. This initiative, which was supported by ADEME, enabled the Maison to derive generic guidelines for its forthcoming projects.

2017-18

- LVMH is also one of the industrial partners of **CIRAIG, the international reference center for the life cycle of products, processes, and services** based in Montreal, Quebec. The company supports the center’s work on the circular economy and the water footprint. It has also financed a Research Chair since 2013, so that its Maisons can benefit from the support of top worldwide specialists in fields such as the Life Cycle Analysis (LCA) and eco-design.

2017-18

- In Italy, Bvlgari has set up a partnership with the **Management Institute of the Sant’Anna School of Advanced Studies in Pisa**. The aim is to contribute to the education of master’s degree students, and to prepare them for responding to environmental challenges, particularly via growth in the circular economy. In 2017, this partnership resulted in the organization of a workshop focusing on an analysis of the life cycle of one of the Maison’s most famous products, the *Omnia Crystalline* eau de parfum.

2017-18

☑ 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

• **Responsibilities and accountabilities:**

▶ See also CRITERION 1 in this COP 2018:

- “1. Commitment and involvement at the highest level”
- “2. Management and control of actions”

• **Partnerships and collaborations:**

In this COP 2018, see also:

- ▶ CRITERION 2:
 - “3.6. Procedures for regular assessment of subcontractor and supplier situations”
 - “4.1.3. External and internal actions to support suppliers”.
- ▶ CRITERION 18 (“The COP describes partnerships and collective action”).

- **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 reporting” in "2017 Environmental Report" (pp. 51-54).]
 - Any request to consult the “environmental reporting protocol” may be made by sent to the following address: 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 2017, the work focused on:

- a **limited degree of assurance** concerning some selected environmental indicators:
 - general environmental policy
 - measures to prevent, reduce or repair releases to the air, water and soil seriously affecting the environment
 - prevention measures, recycling and waste disposal
 - water consumption and water supply in accordance with local constraints
 - consumption of raw materials and measures taken to improve the efficiency of their use
 - energy consumption, measures taken to improve energy efficiency and the use of renewable energies
 - greenhouse gas emissions
 - measures taken to develop biodiversity
 - the health and safety of consumers.
- a **reasonable degree of assurance** concerning others selected environmental indicators:
 - percentage of facilities certified ISO 14001 (%)
 - total water consumption for “Process” requirements (cubic meters)
 - total waste produced (metric tons)
 - total hazardous waste produced (metric tons)
 - percentage of waste recovered (%)
 - total energy consumption (MWh)
 - total greenhouse gas emissions (CO₂ metric tons equivalent)
 - total packaging introduced to the market (metric tons)
 - Chemical Oxygen Demand after treatment (metric tons/year).

[📖 See “2017 Environmental Report” (pp. 58-60).]

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:

- In 2017, training and education programs about the environment comprised **18,841 training hours** to compare with 2016 (20,511 hours), 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 “2017 Environmental Report” (pp. 17-18)]

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- LVMH’s environmental progress is closely linked to its ability to turn its 145,000 employees into participants in its approach. The Group therefore constantly focuses on raising the awareness of its employees as well as informing and training them in the protection of natural resources. Since 2016, these duties have been entrusted to an **Environment Academy**. The Academy prepares courses that meet the main challenges of the LIFE Program using a variety of teaching materials, including face-to-face classroom sessions, e-learning, virtual classes, etc. The Academy also offers a core teaching course in the Fundamentals. Intended for individuals who are beginning their role as an Environment Manager, this course mainly covers the major environmental challenges, running an environmental management system, and environmental law. It is supplemented by à la carte “trade” modules, such as the module offered to individuals who have a creative, research and development and marketing role, or the module on purchasing. The Group’s buyers can, for example, attend a one-day session entitled **“Building Environmental Performance with Suppliers”** where they learn to identify the environmental risks linked to suppliers’ practices, and to improve their assessment of those risks using a matrix of 10 targeted questions. As for the **Environment Managers**, they are trained to use a much more in-depth questionnaire, which also enables them to identify best practices in the supply chain. LVMH further increased its training efforts in 2017. The year was characterized by the internationalization of the sessions offered by the Environment Academy: an Italian version of the Fundamentals course was created. The use of digital technology also increased, and the offering has been enhanced. New courses were offered on environmental challenges relating to specific natural raw materials such as leather, cotton, or wood. The Academy has implemented specific measures intended for **architects**: in fact, architects are the key contact persons in terms of reducing LVMH’s greenhouse gas emissions, by developing eco-construction. Furthermore, discussion meetings organized about researchers, professors, philosophers or organization chairmen were launched, namely the **LIFE event conferences**. These conferences, which are primarily intended for the Group’s Environment Directors and Managers, enable the latter to increase their understanding of environmental issues, and provide them with a broad overview of topical issues. Three conferences were held in 2017: one featured Pierre Radanne, the Chairman of the 4D Organization, a civil society think tank focused on the transition to sustainable development, which specializes in energy and climate issues. The second conference featured Bernard Chevassus-au-Louis, the biologist and ecologist, who is the Chairman of the Humanité et Biodiversité organization, and the third featured Kalina Raskin, an expert in biomimicry, and a member of the Biomimicry Europa organization.
- **At the same time, the Academy supported the initiatives implemented by the Maisons in 2017 to boost their teams’ expertise in environmental matters.** All the Maisons are increasingly active in this area, as shown by Louis Vuitton’s many initiatives during the year. The Maison organized four “Learning Expeditions” to enable its newly hired executives in France to find out about its environmental and social commitments in a fun and practical way. It launched the first Environment E-learning Course, which aims to train all its employees at the Head Office, whatever their position or seniority. Louis Vuitton has explained its environmental approach to its sales force, by presenting it to 30 coaches and mentors from the Les Galeries Lafayette store, who act as sponsors for new salespersons. Louis Vuitton also trained its creative team on eco-design, bringing them together in order to jointly reflect on the design of a store window or exhibition, on the key challenges for a small leather goods store, or on the creative opportunities offered by the recovery of waste materials. The Maison did not forget to raise the awareness of, and train and inform, the staff at its sites, particularly its workshops, through verbal communication or the creation of working groups on the environment, or during induction sessions for new hires.

- **Training in eco-design:** Inclusion of the environment, from the design stage of products, is one of the LIFE Program's priorities.

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- 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.
- In 2017, the Environment Department, as it does every year, has organized **specialist in-house working groups**, such as groups dealing with eco-design or the environmental management of the stores.
- As it considers this method to be crucial for rethinking the design of its products, in 2017 Bvlgari actually organized **two training days** on this subject for its management teams. The use of **life cycle analysis** is increasing at many Maisons.
- Louis Vuitton also trained its **creative team on eco-design**, bringing them together in order to jointly reflect on the design of a store window or exhibition, on the key challenges for a small leather goods store, or on the creative opportunities offered by the recovery of waste materials.
- The theme for Green Week in 2017 was "Green Jobs for a Greener Future". Five factsheets were created to explain the roles and expertise that enable LVMH to implement its environmental policy, to increase its expertise on this subject, to procure supplies while respecting natural resources, **to eco-design its products**, and to distribute them sustainably.
- Many Maisons developed their own partnerships in the academic field. For example, Guerlain sponsors one of the top university management schools in France via the Master's Degree in Innovation, Design, and Luxury Goods at IAE Gustave-Eiffel. The Maison has offered students the opportunity of working on the **eco-designed Guerlain product of the future**.

- **Other examples of training programs:**

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- In 2017, more than 300 employees and about 15 suppliers received **training using the LVMH RSL** (Restricted Substances List) regularly updated.
- Since 2014, Louis Vuitton has been rolling out an Inoculation Plan to strengthen the control over regulated substances. In 2017, this plan resulted in the provision of **training for 150 of the Maison's employees**, who came mostly from the industrial teams responsible for leather goods, travel accessories, men and women's ready-to-wear, leather accessories, and shoes.
- The Group has therefore set itself the objective of installing LED lighting in 90% of its stores by 2020. This program, which was launched in 2012, promotes the LED culture internally via information, awareness raising, and training initiatives. This means that emphasis is placed on the best LED solutions and their correct use. Several 2017 initiatives demonstrate this trend. LVMH specifically delivered their first Spectrometers to the Maisons. This is a tool that was developed in house in order to assess light quality. The Group also provided **training in lighting design to its architects**, for example by organizing trips to museums and exhibitions for them.
- Louis Vuitton has also designed a tailor-made **training course for its buyers and industrial developers** in order to support the rollout of its environmental audit program for suppliers and subcontractors.

▶ See also CRITERION 2 in this COP 2018 ("4.1.3. External and internal actions to support suppliers").

- **Internal awareness and communications through public events:** In order to involve its teams in the environmental challenges, LVMH is also developing its internal communications and events. To do this, the Group relies on major national and international environmental events, which are serving to unite and involve the staff. 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.

- For example, it has, for every year since 2010, partnered with the **European Commission** to take part in **Green Week**, the largest annual conference on European environmental policy. On these occasions the Group sends information factsheets about the subjects to be addressed to about 70,000 employees. The theme for Green Week in 2017 was “Green Jobs for a Greener Future”. Five factsheets were created to explain the roles and expertise that enable LVMH to implement its environmental policy, to increase its expertise on this subject, to procure supplies while respecting natural resources, to eco-design its products, and to distribute them sustainably. 2017-18
- The internal efforts made on communications and events can be felt throughout the Maisons of the Group. In 2017, for example, Sephora’s Spanish subsidiary distributed a tips and tricks handbook to its stores, to help staff reduce the production of waste and energy consumption. In France, the Champagne Maisons rolled out, after testing it, a participatory initiative, “One, Two, Sort”, aimed at improving the quality of the waste sorting process. As it does every year, Guerlain rolled out an internal communications plan dedicated to its sustainable development policy. This plan was supplemented by a specific communications plan for the Maison’s two manufacturing sites. Guerlain also enhanced the communications to its subsidiaries, including the delivery of a new “Bee Award” to reward their most outstanding environmental initiatives. 2017-18

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

See also in this COP 2018 “Grievance mechanism, communication channels and other procedures (e.g. whistle-blower mechanisms)” in:

- ▶ CRITERION 4 (“The COP describes effective *management systems* to integrate the human rights principles”).
- ▶ CRITERION 7 (“The COP describes effective *management systems* to integrate the labour principles”).

- There is a public mail address that anyone can use to report about environmental issue or ask any question. Any request to consult notably the environmental reporting protocol may be sent to the following address: environnement@lvmh.fr.

- The LVMH group’s activities are exposed to various risks that are the object of regular risk management and identification within the context of primarily regulatory reforms. In this regard, the implementation of the **Law of March 27, 2017** concerning the duty of **reasonable vigilance** by parent and ordering companies has resulted in improved identification of risks and helps to prevent particularly serious abuses of health and safety of persons and the environment. [📖 See in “2017 Reference Document”: “3. Assessment and control procedures in place” (pp. 53-61) and “4. Lines of defense” (pp. 62-66).] 2017-18

- 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.

- **Stakeholders' questions and "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. [📖 See "2017 Environmental Report" (pp. 23 and 51).]

- **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.
- 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 "2017 Environmental Report" (p. 51) and in "2017 Reference Document" (pp. 110-111)]:

- 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. The high standards implemented allow LVMH to guarantee the safety of its cosmetic products when they are released onto the market. In order to monitor the quality of their products after they are released, the LVMH group's brands have customer relations departments which receive any complaints from consumers for analysis, including complaints about adverse effects. This process – known as cosmetovigilance – is managed by a team of specialists who provide the Group's brands with access to a European network of healthcare professionals able to quickly respond to help consumers experiencing side effects. A similar approach is under development in China. Such post-market surveillance makes it possible to explore new areas of research and continually improve the quality and safety of our products.
- 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 2017**, in Europe, requests for information represented 30 % of all clients approached, claims 15 % (on a variety of topics such as packaging, texture, manufacturing, etc.) and assistance on online orders 14 %. In China, inquiries accounted for 13 % of customer contacts and claims 2 %. In Japan, customers approached mainly concerned requests for information, assistance on online orders and claims, respectively 39 %, 36 % and 6 % of contacts.



- **Responsible consumption** [📖 See “2017 Reference Document” (p. 111)]: For many years, Moët Hennessy has emphasized the responsible enjoyment of its champagnes, wines and spirits. This commitment takes shape through a diverse range of initiatives aimed at its employees and customers, as well as guests and visitors to its companies.
 - Not only does Moët Hennessy scrupulously adhere to local regulations, it also self-regulates across the entire spectrum of its communications and marketing practices, as well as following strict digital media guidelines, for example by using filters to keep underage viewers from visiting its companies’ websites. Every year, Moët Hennessy’s teams teach hundreds of consumers the rituals for tasting its exceptional products, thereby promoting the responsible enjoyment of wines and spirits.
 - In addition, on the labels of all its wine and champagne bottles in the European Union (except in France for legal reasons), Moët Hennessy provides links to websites that give consumers information on responsible drinking, such as www.wineinmoderation.com for wines, www.responsibledrinking.eu for spirits and www.drinkaware.co.uk in the United Kingdom. Links to these websites are also available on the Group companies’ websites. Moët Hennessy continued to provide new employees with training on the importance of responsible drinking, and rolled out an internal communications campaign reminding employees that they are “all ambassadors for responsible drinking”.
 - Moët Hennessy is a member of the European Alcohol and Health Forum, formed under the aegis of the European Commission.
 - Lastly, Moët Hennessy continued to actively support responsible drinking programs around the world run by the industry associations it belongs to. In particular, Moët Hennessy is one of three “Ambassador Companies” for Wine in Moderation, an international social responsibility movement for the wine sector.

• **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.

In this COP 18, see also:

- ▶ CRITERION 16 (“The COP describes strategic social investments and philanthropy”)
- ▶ CRITERION 18 (“The COP describes partnerships and collective action”).

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[📖 See "2017 Environmental Report" (pp. 18-23) according the following categories of information:

- professional exchanges
- partnerships
- support for fundamental research
- (environmental) corporate sponsorship
- external 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 as shown by the increasing number of eco-designed products within the Group. 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.

In this COP 18, see also:

▶ CRITERION 18 ("The COP describes partnerships and collective action").

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

- **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 to be achieved by 2020 (2013 being the benchmark year). [📖 See "2017 Reference Document" (pp. 101-102) and also "2017 Environmental Report" (p. 15)]

- **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 CO₂ 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 CO₂ 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 Maisons in the Wines & Spirits and Perfumes & Cosmetics business sectors have also been calculating the EPI for all their products **since 2017** and are gearing up to achieve the objective set by the Group for 2020: a 10% reduction in ratings between 2013 and 2020. Today, more than 10,000 products have been rated, and by end 2017 the Maisons had achieved an average performance of 3%. Their progress is primarily due to the widespread use of eco-design, which enables them to reduce the size and weight of the packaging, and to choose environmentally-friendly, recyclable materials. The problem for the Fashion & Leather Goods and Watches & Jewelry Maisons is different: the environmental impact of their products is primarily linked to the production of agricultural raw materials and to the extraction of minerals. They are therefore focusing on these areas as a priority. [📖 See "2017 Environmental Report" (p. 28)]

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- In 2004, **two tools** have been created to help the Group’s Maisons eco-design outstanding products:
 - **“Environmental trend handbook”**: **“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.
 - Online **“materials library”** listing environmentally-friendly components and materials: 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.

- **Sustainable construction and renovation:**

- **Making sustainable construction widespread** [📖 See “2017 Environmental Report” (pp. 43-44).]:

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- Well before the launch of LIFE 2020, LVMH had already ensured that it built and renovated its buildings in an environmentally friendly manner. With its new goal of environmental excellence for all its sites, the company has increased its emphasis on this policy. The challenge is to have workshops, plants, warehouses, stores, and offices that comply with the highest standards: BBC® (Energy-Efficient Building), HEQ® (High Environmental Quality), BREEAM® (Building Research Establishment’s Environmental Assessment Method) and LEED® (Leadership in Energy and Environmental Design). In this way, LVMH ensures that all the environmental parameters are taken into account at every stage of its real estate projects, from construction site to maintenance of the premises. Over the past ten years the Group has constructed about 30 eco-friendly buildings.
- Some of them are particularly remarkable for their pioneering nature and/or their level of environmental performance. This is the case with EOLE, the warehouse opened by Louis Vuitton in Cergy-Pontoise (certified LEED® EDOM at the “Gold” level), and with La Ruche, the plant opened in Chartres by Guerlain in 2015 (which is certified HEQ® at the “Excellent” level), as well as of La Canopée, the boutique opened in Forum des Halles in Paris by Sephora (which is BREEAM® certified at the “Excellent” level).
- The list of LVMH’s buildings that are exemplary from an environmental standpoint grew even longer in 2017. For example, Bvlgari’s jewelry workshop in Valencia, Italy, was awarded LEED® certification at the “Gold” level in July. This certification recognizes a project that was conducted with a continual concern to reduce the carbon footprint, ensure the highest energy efficiency possible, prioritize natural materials and processes, eliminate waste, and ensure optimum working conditions for the occupants.
- Hennessy inaugurated Pont Neuf, a new facility dedicated to the packaging and logistics for its cognacs, in October. This facility, which has been built on more than 32 hectares in Salles-d’Angles in the Charente Department, is a modern facility not only in terms of eco-construction but also of eco-management, comfort, and health, and was certified according to the French HEQ® standard and reached the “Exceptional” level during the execution stage. This distinction actually means that the highest possible level was achieved for most of the 14 targets set out in the certification specifications. In the case of Pont Neuf, 12 of these targets met the highest standards for the entire facility, including bottling and filtering, offices, and dry materials and finished product logistics. For example, Pont Neuf is entirely lit using LED lighting, while geothermal power is used to regulate the temperature of the equipment.
- In November, the extension to the store opened by Sephora in the Chodov Shopping Mall in Prague, in the Czech Republic, was awarded BREEAM® certification with a “Very Good” score. The Maison was also awarded HEQ® certification at the “Excellent” level for its two

new European headquarters. In addition to these great successes, 2017 was characterized by the increasing attention paid to the sites' internal layout and equipment.

- The new boutique opened by Parfums Christian Dior in rue Saint-Honoré in Paris illustrates this trend: the flooring and furniture are made out of oak from sustainably managed French forests, while the wall coatings contain 10% of mineral materials. Meanwhile, the screens, which were manufactured using the OLED (organic light-emitting diode) technology, consume 35% less electricity than the old screens.

- **Improving the energy efficiency of sales floor areas and widespread rollout of eco-lighting** [📖 See “2017 Environmental Report” (pp. 39-41).]:

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The Group launched the **LVMH LIFE in Stores Program** in 2016, which supplements the **LVMH Lighting platform**. The aim of the program is to encourage the inclusion of the environmental challenges upstream of projects for boutiques, starting at the design stage. It is based on guidelines drawn up internally using the best known global guidelines such as LEED® (Leadership in Energy and Environmental Design) or HEQ® (High Environmental Quality).

- This program has, in particular, resulted in the distribution of a handbook, updated in **July 2017** to incorporate a new guideline, the **WELL Building Standard®**.
- A **checklist** was also made available to the Maisons, which identifies the **10 most important points for a boutique's environmental performance**, from the building's insulation to the lighting density, including air-conditioning and heating.
- In connection with LIFE in Stores, LVMH informs, educates and trains key audiences on the environmental excellence of retail spaces. A **newsletter was therefore launched in 2017** to create interest among the architects' community, while Céline assembled its store planners in October in order to explain the checklist to them.
- Moreover, the company showcases the Maisons' outstanding initiatives by organizing the **LVMH Store Environment Awards**. For example, Bvlgari was recognized, at the first award event, for having installed a remote consumption monitoring system in its London store in New Bond Street. In **2017**, a call for entries to a second award event has been launched, scheduled for May 2018.
- Other initiatives are in preparation, such as the launch of a competition based about the **LVMH Green Concept Store**. This is a new store concept that innovates in terms of design and incorporates environmental criteria.
- The Maisons rely on **energy assessments** to make progress. For example, Sephora carried out an assessment in its La Canopée boutique in Paris which is BREEAM® (Building Research Establishment's Environmental Assessment Method) certified at the “Excellent” level. Since 2007, Sephora has been rolling out an energy management system in its sales floor areas in the United States. By the end of 2017, 330 of them had been equipped and it will be installed in every area by the end of 2018. The Maison will then be able to optimize the management of energy in each store, thanks to intelligent technology such as smart thermostats.
- Other Maisons are implementing similar initiatives. In 2017, for example, Fendi launched a **pilot web platform** that gathers and processes all the energy information required to enable a reduction in CO₂ emissions by 2020. The experiment covers ten stores, three production sites, and two administrative sites.

- **Taking measures to promote biodiversity around the sites:** The blending of buildings into the natural landscape is one of the imperatives of sustainable construction. [📖 See “2017 Environmental Report” (p. 44).]:

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The Maisons of LVMH are very vigilant on this point: they create wildflower fields and green spaces managed in a sustainable way, and they reforest and protect certain areas. Some Maisons even go further to encourage local biodiversity. In 2017 for example, the Champagne Maisons actively prepared for the arrival of bees at Val du Clos, their new red wine winery in Gyé-sur-Seine. Since 2015, fruit trees have been planted at the site. The Maisons have supplemented this landscaped layout by planting

a nectar-rich and pollen-rich fallow field. In July, they also installed eight hives in the park around the Gyé-sur-Seine winery. The plan is to move these hives to Val du Clos in the spring of 2018, where the first honey harvest has been scheduled in May. Again, with a view to protecting biodiversity, the Champagne Maisons have installed an eco-meadow at their logistics platform in Champagne de Recy: from May to October 2017, maintenance of the lawn around the warehouse was provided by a flock of sheep. Eco-meadows are a growing practice within the Group. At end 2016, Guerlain hosted around 50 sheep at its manufacturing sites at Orphin and in 2017 near to 100 sheep moved into the La Ruche facility in Chartres. As for Sephora, it has, since 2017, been host to two Ouessant sheep at its head office.

- Among many examples or case studies about cost-saving or revenue generation in **energy, water and waste**. Since its introduction, the LIFE program has become a source of continuous progress for the company. A true driver of innovation, it also contributes to cost-reduction, to protecting the image of its brands, and to improving its internal and external communications. 2017-18
 - The strategic **LIFE 2020 Program** (LVMH Initiative For the Environment) [📖 See “2017 Environmental Report” (pp. 10-15)] is based on **four shared targets to be achieved by 2020 (the baseline year being 2013)**: sustainable product design ; suppliers and raw materials ; cutting energy-related CO₂ emissions by 25%; make all production sites and stores more environmentally friendly.
 - **Example of internal Carbon Fund**: Starting in 2016, the LVMH carbon fund proved its effectiveness when eligible projects amounting to EUR 6.7 million were selected, rather than the EUR 5 million initially provided for. In 2017, this amount fell to EUR 5.7 million, a reduction which the Group could only find satisfactory, since it actually reflects a reduction in the Maisons’ emissions. Around 60 investment projects were selected during the fund’s second year of existence. The choice was based on five criteria. The projects that were ultimately selected came from Maisons of all sizes, and from all LVMH’s business sectors. Unlike the investments in 2016, 70% of which were made in the boutiques, **54% of the investments in 2017 involved production sites and 36% involved sales floor areas**. Most investments (56%) were aimed at reducing consumption by improving energy efficiency. The other investments involved monitoring the consumption and, in equal measure, the production of renewable energy (22%). All these investments prove that the carbon fund does indeed drive progress. For example, one of the projects will enable Chandon Argentina to increase the percentage of solar energy in its energy mix from 1.5% currently to almost 8%. [📖 See “2017 Environmental Report” (pp. 22 and 37-38)]
 - **Increasing the use of renewable energy**: At the same time as the action taken to reduce its consumption of fossil fuels, LVMH is increasing its consumption of renewable energy, which does not emit any carbon into the atmosphere. The increase has been rapid: renewable energy’s share of the Group’s energy mix increased **from 1% to more than 22% between 2013 and 2017**.
 - In 2017 and reinforced by the goals of LIFE 2020, LVMH’s commitment to **better water management** was not found wanting. The Maisons acted both to limit their consumption and to prevent water pollution. Louis Vuitton has therefore continued to install in its workshops tool-cleaning machines that use less water, such as the closed circuit washing and rinsing sprays at Ducey, and the machines for cleaning the coloring pistols without water at Sainte-Florence. Guerlain has equipped its facility in Chartres with separate holding tanks for detergents in the laundry room, and has changed the storage equipment, so that it no longer has to clean its vats with large amounts of water.
 - The Group is convinced of its responsibility for animal biodiversity. By assigning a value to these precious raw materials, their vital importance is significantly highlighted, and therefore results in the **creation of positive outcomes**.

☑ Leadership review of monitoring and improvement results:

▶ See CRITERION 1 in this COP 2018:

- “1. Commitment and involvement at the highest level”
- “2. Management and control of actions”

☑ **Process to deal with incidents:**

▶ See also CRITERION 10 in this COP 2018 (“☑ Environmental risk and impact assessments”).

• **Environmental protection policies and methods:**

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[📖] See:

- ✓ “2017 Environmental Report”:
 - “The framework for action” (pp. 10-17)
 - “Preferring certified supplies” (p. 34)
 - “Making sustainable construction whitespread” (pp. 43-44)
 - “Continuously improving thanks to certification” (p. 50)
- ✓ “2017 Reference Document”:
 - “2.1.9. Industrial, environmental and meteorological risks” (p. 50)
 - “3.6. Procedures for regular assessment of subcontractor and supplier situations” (pp. 59-61)
 - “4.1.3. External and internal actions to support suppliers” (p. 63)
 - “4.1.4. Actions relating to environmental issues” (pp. 63-64)
 - “4.2. Training and oversight system » (pp. 65-66)
 - “1. General environmental policy” (pp. 101-102)
 - “1.3. Preventing environmental risks and pollution” (p. 102).]

• **Product Safety and Customer Health:**

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[📖] See:

- ✓ “Ensuring compliance of the materials and substances presented in the products” in “2017 Environmental Report” (pp. 32-34)
- ✓ “Preferring certified supplies » (p. 34)
- ✓ “6. Consumer health and safety” in “2017 Reference Document” (pp. 110-111).]

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

• **Auditing/monitoring the suppliers:**

- ▶ See CRITERION 2 in this COP 2018:
- “3.6. Procedures for regular assessment of subcontractor and supplier situations”
 - “4.2. Training and oversight system”
 - “4.3. Warning mechanism, sanctions and monitoring”

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

- ▶ See CRITERION 2 in this COP 2018 (“4.1.3. External and internal actions to support suppliers”).

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

- **No incidents to report in 2017.** The amount of EUR 13 million as of December 31, 2017 (EUR 13 million indicated for 2016 and for 2015) corresponds to the financial guarantees required by law for Seveso upper-tier establishments. [📖 See “2017 Reference Document” (page 102)]

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- **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 Vige Eurozone 120 and ESI (Ethibel Sustainability Indices) Europe.

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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):

- The year 2017 is mainly committed by the law n° 2016- 1691 of December 9, 2016, known as the **Sapin II Law (combating corruption)**.

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The implementation of the Law of March 27, 2017 concerning the duty of reasonable vigilance by parent and ordering companies has also resulted in improved identification of risks and helps to prevent serious abuses of human rights and fundamental liberties, health and safety of persons, and the environment. This new regulation gave the opportunity to revise the presentation of “Management of non-financial and financial risks” particularly linked to the “value chain implementation”.

[📖 See “2017 Reference Document” (pp. 43-66)]

- The **LVMH Code of Conduct** adopted in 2009 and revised in 2017 includes clear commitments concerning “fighting against all forms of corruption”:

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- *« The concept of “act of corruption” – the legal definition of which varies depending upon the applicable legal framework – generally includes any act through which a person (“the corrupted”) solicits or accepts a gift, a promise or any type of benefit for themselves or for a third party in exchange for performing, failing to perform or delaying the performance of an action within the scope of their responsibilities, duties or mandates, to the benefit of a third party (“the corruptor”).*

Gifts, promises or any type of benefit may consist of direct benefits – payment of cash, provision of goods or services, discounts, free execution of work, etc. – or indirect benefits such as hiring a relative or friend, paying a debt for someone, etc.

Corruption may involve a person acting in a private capacity (private corruption) or in a public capacity (public corruption).

There is active corruption when the corruptor initiates the corrupt act. There is passive corruption when the corrupt act is performed at the initiative of the corrupted person.

As for the concept of influence peddling, it applies to a situation in which a person illicitly uses their real or supposed influence in order to obtain certifications, employment, contracts or any other favorable decision for a third party from a public authority or administrative office in exchange for a benefit.

Influence peddling is also qualified as “active” or “passive” depending upon who initiates the action. LVMH applies a zero-tolerance policy concerning corruption and influence peddling and implements measures to prevent, identify and sanction any instances of corruption or influence peddling within the scope of its activities.

Internal guidelines communicated to employees precisely illustrate the types of behavior that are strictly prohibited and which may be characterized as corruption or influence peddling.

For example, they include:

- *paying or accepting bribes or hidden commissions, regardless of whether they are paid directly or indirectly ;*
- *facilitating payments (payment of small sums to public officials in order to speed or guarantee the execution of an action as part of the normal conduct of business).*

More broadly, any payment to a third party must be in exchange for a service and correspond to a legitimate price agreed with this third party. » [See “LVMH Code of Conduct” (pp. 21-22).]

- **Dissemination of the Code of Conduct:** This Code of Conduct is available on the LVMH website and is also available and can be downloaded in several languages on the Group’s intranet. This Code of Conduct is given to all new employees. The LVMH Group has also established resources to support good governance by its Maisons many areas, notably **fighting corruption**, in particular to address some specific geographical areas; compliance with competition law.

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Employees who fail to respect the principles set out in this Code of Conduct and in internal guidelines are liable to appropriate disciplinary measures proportionate to the seriousness of the infraction, in compliance with the Internal Regulations (or any equivalent document) of the company that employs them and to applicable laws and regulations.

The principles of this Code of Conduct may be detailed by each Maison to reflect its business sector or geographic location. In addition, local codes of conduct or charters may be applied when necessary to conform to local legislation and regulations.

- Adopted in 2008, the **Supplier Code of Conduct** was revised in 2017 order to provide more detail about the principles of conduct expected of suppliers, particularly in terms of **professional integrity**. The Supplier Code of Conduct includes clear commitments concerning:
 - **“Prohibition of all forms of corruption”:** *« Company name » applies a zero-tolerance policy concerning corruption and trading in influence. We expect our suppliers to respect all applicable laws concerning corruption and to take appropriate measures to prevent, detect and sanction any corruption or trading in influence, directly or indirectly, across the scope of their activities. »*
 - **“Gifts and invitations”:** *« Gifts or invitations may be considered acceptable expressions of courtesy within the context of good business relations if limited in scope and value, given openly and transparently, permitted under applicable local law, customary in the location in which they would be given, provided to reflect esteem or gratitude, and not offered with an expectation that something will be offered in return. In some cases, these practices might be subject to anticorruption regulations or other legal requirements, making it essential to be aware of such rules and to fully comply with them. »*

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

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

In this COP 2018, see:

- ▶ CRITERION 1:
 - “1. Commitment and involvement at the highest level”
 - “2. Management and control of actions”
- ▶ CRITERION 17 (“The COP describes advocacy and public policy engagement”)
- ▶ CRITERION 19 (“The COP describes CEO commitment and leadership”)

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

☑ Public legal cases regarding corruption (D14):

No incidents to report.

☑ Process to deal with incidents (D13):

▶ See CRITERION 2 in this COP 2018:

- “3. Assessment and control procedures in place”
- “4. Lines of defense”

- **Support resources:**

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- **Mapping of risks:**

- Risk mapping identifies and when possible ranks the seriousness of risks to which the Group and its Maisons are exposed against all types of behaviors that are non-compliant with this Code of Conduct, particularly external attempts at corruption and serious violations of human rights, fundamental freedoms, the health and safety of individuals and the environment.
- Geographical exposure: In late 2017, identification of at-risk suppliers was enhanced by means of a new methodological project to specify the different levels of geographical exposure for the activities of LVMH and Group companies on the basis of three issues whose corruption (and human rights and environment).

- **Internal control and assessment:** Control of compliance with the Code of Conduct is part of existing LVMH internal control procedures and is carried out in compliance with the procedure applied by the Group. Internal and external accounting control procedures implemented by LVMH are designed in particular to ensure that the accounts are not used to mask instances of corruption or influence peddling, and to assess due diligence measures taken to prevent and fight against all forms of corruption and influence peddling.

- **Disclosures and oversight:** Within the Ethics and Compliance Intranet, employees have access to internal documents on combating corruption and influence peddling. This includes in particular the new LVMH Code of Conduct, as well as the “Internal guiding principles” serving as a reference guide concerning certain specific issues relating to business ethics.

- **Training:** The Group has adopted appropriate training tools. These training are regularly provided for Group managers and employees who are most exposed to risks of corruption, influence peddling and money-laundering. Social responsibility training focused on preventing discrimination is provided for recruiters, executives and managers, and continual monitoring of recruitment practices is carried out through discrimination test campaigns conducted by an independent firm.

- **Audits and due diligence:** The Group performs audits and due diligence of stakeholders to better identify, assess and anticipate risks and opportunities for improvement and to ensure in-depth knowledge of its partners.

- See “4. Lines of defense” in “2017 Reference Document” (pp. 62-66).

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- ▶ See CRITERION 2 in this COP 2018:

- "4.2. Training and oversight system"
- "4.3. Warning mechanism, sanctions and monitoring (Internal warning system, Disciplinary sanctions, Monitoring...)"

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:

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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:

• **Indicators and KPIs linked to SDGs:** Thanks to the implementation of SDGs, LVMH has been able to give new momentum to its environmental and social policy and embark on an ongoing improvement approach. Since its introduction, the program has become a source of continuous progress for the company. A true driver of innovation, it also contributes to cost-reduction, to protecting the image of its brands, and to improving its internal and external communications. Today, the way in which the Group responds to its environmental and social issues has a profound influence on its development, shapes the future challenges in its markets, and determines the growth opportunities of its Maisons.

► See our answers to the questions in preamble (pp. 6-10) notably concerning the “business model” and more particularly the following “ **Goals and indicators set by our company with respect to one or more SDGs**”



The LVMH Reports and the “COP 2018” include different information, policies and indicators/KPIs concerning the issues taken into account by SDGs.



As examples of our initiatives and programs:

- **SDG1.** Actions supporting vulnerable, marginalized or underserved populations.
- **SDG2.** Actions concerning sustainable viticulture and ethno-botany. As an example, in terms of food waste, La Grande Épicerie de Paris has several fresh food production workshops where fresh food is concerned. The Maison has developed an accurate sales forecasting system in order to adjust production to production volumes on a daily basis. A partnership has been entered into with the French Red Cross, which collects the unsold production every day.
- **SDG3.** Improving health & safety and quality of life in the workplace and in the supply chain.
- **SDG4.** Supporting integration through employment; apprenticeship of young people; protection of critical know-how; supporting disadvantaged persons, women and children through education, health and self-confidence; supporting populations in emergency situations...
- **SDG5.** Promoting gender equality in the workplace and society; preventing all discriminations (peoples with disabilities, older workers...).
- **SDG6.** Water consumption and supply according to local constraints (example of areas where water stress is close to 100%, meaning that water requirements in these areas are close to the level of available resources).
- **SDG7.** Measures taken to reduce energy consumption, to improve energy efficiency and renewable energy use.
- **SDG8.** Through its activities, LVMH participates in the regional development of the areas in which it operates: jobs creation and regional development ; supporting SMEs and start-ups ; addressing the specific social and economic needs of the regions ; suppliers’ responsibility.
- **SDG9.** Sustainable construction and renovation; soil use; prevention of losses such as fires, water damage or natural catastrophes.

- **SDG10.** As an example, at Group level, as part of a project looking at the possibility of standardizing healthcare benefits, the “Coeur Social” program provides for the introduction of common core benefits. Other example, International salary surveys, in relation to specific professions and sectors, are carried out annually and around the world to ensure that the Group maintains a favorable position against the markets. Variable components of compensation, based on the financial performance of the employing company and achievement of individual targets, ensure that performance is fairly rewarded. Initiatives and tools specific to each entity are put in place to reduce any salary gaps between women and men within the same professional category.
- **SDG11.** Security and accessibility of stores ; contribution to sustainable cities (GHG Emissions, green transport,...).
- **SDG12.** Environmental design ; securing access to strategic raw materials and supply channels ; preserving biodiversity ; product life span and reparability.
- **SDG13.** Reducing greenhouse gas emissions ; promotion of renewable energy.
- **SDG14.** Adapting to climate change ; prevention of pollution and waste management, water and soil discharges ; promotion of eco-design particularly in terms of refills in order to reduce packaging ; as an example, Kenzo support the “Blue Marine Foundation”.
- **SDG15.** Strategy for Biodiversity ; preservation and certification of strategic raw materials ; material and product traceability and compliance.
- **SDG16.** LVMH Group ensures that its practices reflect the highest standards of integrity, responsibility and respect for its partners (Code of Conduct, fight against corruption and influence peddling, Internal Competition Law Compliance Charter, risk management and duty of reasonable vigilance,...).

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

In this COP 2018, see:

- ▶ CRITERION 2 (“Example of Socially Responsible Procurement”).
- ▶ CRITERION 4 (“4. Employment of disabled persons”)
- ▶ CRITERION 16 (“Helping disadvantaged individuals find work”).

• **Gender equality in the workplace:**

Gender equality is an integral part of LVMH’s corporate culture. Women account for around three-quarters (73%) of the total workforce (of staff on permanent contracts). This strong female presence is an essential characteristic of the Group, and reflects the nature of LVMH’s activities, many of whose customers are women.

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Representation of women and breakdown by professional category within the Group workforce:

Total women as the end of 2017	73 %
Key positions within the Group	40 %
Executives and managers	65 %
Technicians and supervisors	68 %
Administrative and sales employees	81 %
Production workers	55 %

Demonstrating the Group’s strong culture of gender equality, 41 Group companies have undertaken to uphold the **United Nations’ Women’s Empowerment Principles (WEP)**. In October 2014, all Group companies based in the United States (Belvedere Vodka, Edun, Marc Jacobs, Benefit Cosmetics, Fresh, Nude Skincare and Starboard Cruise Services) became WEP signatories. The seven Women’s Empowerment Principles relate in particular to education, training and professional development for women as well as a commitment to promote gender equality at the highest corporate levels.

In 2017, the LVMH group stepped up its efforts to reassert its commitment to diversity and promoting women's leadership.

○ **Group initiatives :**

- Launched in 2007 on the initiative of Chantal Gaemperle, the **EllesVMH program** encompasses all actions taken in this area within the LVMH group. Its aim is to promote a mixed working environment where talent is able to flourish, by offering equal opportunities to all. Combining specific actions with coaching to provide proactive, practical support for women leaders, EllesVMH has become an international brand that channels energy into 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. The EllesVMH program continues to develop its existing projects, including its two main training initiatives, **EllesVMH Coaching** and **EllesVMH Connect**. On average, around 40 women haven taken part in EllesVMH Coaching courses every year since it was launched in 2013. In 2017, the number was 35.
- As regards key positions within the Group, to mark the 10th anniversary of the EllesVMH initiative, launched in 2007 by Chantal Gaemperle, the Group reviewed its commitment in 2017. Between 2007 and 2017, the proportion of women holding key positions within the Group rose from 23% to 40%. Given this progress, a new target has been set: to achieve parity for key positions by 2020, summarized in the slogan **“50/50 by 2020”**. New appointments in 2017 saw more women attain senior positions. Nine Group companies are now led by women: Krug, Céline, Kenzo, Loewe, Nicholas Kirkwood, Acqua di Parma, Fresh, Make Up For Ever and Starboard Cruise Services.
- The day was also marked by a number of international events. More than 1,000 women took part in Inspire to Action events in the town of Cognac as well as in New York, Shanghai, Hong Kong, London and Madrid, among other cities. All these celebrations were followed on social media with the hashtag #ellesVMH. In the United States, 80 people were invited to a workshop aimed at identifying obstacles to the “50/50 by 2020” target in the country, which ended with a networking event. In Japan, 4,000 employees working in 510 Group stores were encouraged to come together to convey a message of commitment. Sharing and discussion sessions were held to review local initiatives. In the Asia-Pacific region, 500 people took part in one of four events held in Hong Kong, Shanghai, Singapore and Sydney. The main aim of these events was to raise awareness and open up a dialogue about men's commitment to issues of gender equality. In all, 1,500 Group employees were involved in the day in some form or another.
- To mark International Women's Day on March 8, 2017, the LVMH group organized an exceptional event on the theme “Inspire to Action”. A competition aimed at recognizing Group companies' best initiatives to encourage gender diversity was launched under the name EllesVMH Awards. This event consisted of two stages.
- LVMH continues to track the career development of its talented women through its annual organizational review, using a set of targets and key indicators.

○ **Group company initiatives:**

- Many international initiatives were also kicked off in 2017, such as the creation of a new **EllesVMH network in Switzerland**. All representatives meet every two months to discuss their projects. The committee is preparing to organize an inter-company conference on diversity in 2018. In Spain, on the initiative of LVMH Perfumes & Cosmetics, EllesVMH brought together more than 1,500 women around the world on March 8, 2017.
- Meanwhile, in the United States, three roadshows were held in New York and Las Vegas, involving 110 participants and 15 Group companies. These roadshows brought together staff from different Group companies to stimulate discussion and develop initiatives in connection with the Group's “50/50 by 2020” target. Six other smaller events were organized, allowing around a hundred staff to freely discuss more targeted topics. While these new projects are to

be extended, all local networks and Group companies have high ambitions for the EllesVMH strategy in 2018 and the achievement of its 2020 targets.

- Group companies are also developing a range of initiatives aimed at addressing the most frequently cited areas for improvement as regards career development for women: ambition, self-marketing, international mobility, and work-life balance. Like some other Group companies, Chaumet entered into a new gender equality agreement for 2016 and 2017. In 2017, and particularly on the occasion of International Women’s Day on March 8, Christian Dior Couture made sure that the commitments of the agreement signed in July 2016 to support gender equality at work were communicated extensively within the company. All this information is also available to all employees on the company’s intranet site. Within an industry traditionally dominated by men, Hennessy has organized the *Vignoble au féminin* campaign, providing a forum for meetings and discussion between women winemakers with the aim of encouraging women to work in the wines and spirits sector. In this same sector, Veuve Clicquot and Krug encourage access for women to positions of responsibility as well as different types of jobs in which men are over-represented, such as tractor drivers. A training course in tractor-driving skills is open to all women, allowing them to take training to prepare for the Agro-Équipement Viticole diploma from the Corporation des Vignerons, while also training in the company’s specific vineyard applications.
- In a sector that is conversely very female-dominated, Sephora addresses the issue of professional equality by means of more social initiatives. In France, the United States and the Czech Republic, it has created an emergency housing fund for female employees dealing with financial or housing issues, for example in situations of domestic violence or financial difficulty.
- Initiatives and tools specific to each entity are put in place to reduce any salary gaps between women and men within the same job category. During annual negotiations, a dedicated budget may be set aside to cover any required adjustments.

• **Employment and regional development** [📖 See “2017 Social Responsibility Report” (pp. 77-83)]: As some of the biggest employers in their local labor markets, the LVMH group’s companies are committed to developing their businesses while addressing the specific social and economic needs of the regions in which they operate. The tremendous growth experienced by the LVMH group’s companies has enabled them to keep many people in employment and recruit new hires. This has resulted in substantial job creation in all countries where the Group is present, particularly as a result of the expansion of the Group companies’ own retail networks. As part of their contribution to development in the regions where they operate, Group companies have forged many ties with various organizations working on behalf of local communities, in areas such as promoting access to employment, helping disadvantaged individuals find work, and providing assistance to vulnerable, marginalized or underserved populations.

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- Main results, concerning particularly “**Net permanent job**” creation [📖 See “2017 Social Responsibility Report” (p. 77)]:

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Including the employees of Christian Dior Couture, which became part of LVMH in 2017, growth in the workforce between 2016 and 2017 accounted for **10,771 more jobs** worldwide in 2017, **3,551 of them on permanent contracts**, with the following key movements:

- the workforce increased by more than 8% year on year in 2017;
- the net increase in the workforce between 2016 and 2017 (10,771 jobs) was 18% higher than the net increase between 2015 and 2016 (9,130 jobs).

Investment in research and development:
€130 million, 17.1% higher in 2017 than in 2016 (€111 million), after an already significant increase of 14.4% in 2016 relative to 2015 (€97 million).

Hence, while the workforce grew by 5,234 between 2016 and 2017 (10,771 after taking into account the integration of Christian Dior Couture, whose employees

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joined the Group as of December 31, 2017), **3,349 net new permanent contract jobs were created** (3,551 including Christian Dior Couture employees). At the same time, layoffs (terminations for business reasons) accounted for 6.1% of all leavers, versus 3.2% in 2016 and 4.3% in 2015.

- A number of Group companies have been established for many years in **specific regions of France** and play a major role in creating jobs in their respective regions: Hennessy in the Cognac region, Veuve Clicquot and Moët & Chandon in the Champagne region, Guerlain in Chartres, Parfums Christian Dior in Saint-Jean-de-Braye (near Orléans), and Louis Vuitton in the Drôme *département*. They have developed long-standing relationships with local government, covering cultural and educational aspects as well as employment. Others have activities 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.

- See many **decentralized Group company initiatives** and developments

[📖 “2017 Social Responsibility Report” (pp. 78-80)]:

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- At the heart of the Paris region
- In the Cosmetic Valley
- In Vendée (Pays de la Loire region)
- In Grasse region
- In Italy

- **Supporting SMEs, startups and entrepreneurs** [📖 See “2017 Social Responsibility Report” (pp. 81-83)]:

- **Supplier relations:** The LVMH group sees supplier relations as a key link in its value chain. As such, the Group places a priority on maintaining and promoting responsible relations with its partners, suppliers and subcontractors.

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▶ See also CRITERION 2 in this COP 2018:

- “3.6. Procedures for regular assessment of subcontractor and supplier situations”
- “4.1.3. External and internal actions to support suppliers”.

- **Promoting start-ups:**

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- Jointly organized by the Les Echos group and Publicis Groupe, the **second Viva Technology digital transformation trade fair** was held in Paris from June 15 to 17, 2017, bringing together over **60,000 visitors** and **6,000 start-ups**. Out of 32 start-up finalists selected from a pool of over 500 applicants from 42 countries operating in areas related to the LVMH group’s sectors and challenges, the winner of the **LVMH Innovation Award**, presented by Bernard Arnault, chairman of the panel of judges, was Heuritech, a start-up that has developed an artificial intelligence-based solution for detecting future trends. The panel also consisted of key players from the tech and start-up worlds, business angels and well-known executives, notably including Ian Rogers, Chief Digital Officer of the LVMH group. The Audience Prize was awarded on June 17 to V-Cult, one of the 32 start-up finalists. The LVMH group took the opportunity to host its second Luxury Lab, which was visited by French President Emmanuel Macron, Finance Minister Bruno Le Maire, and Mounir Mahjoubi, Secretary of State to the Prime Minister with responsibility for digital affairs. This year taking as its title “L’Atelier LVMH”, the lab served as a vibrant hub for exchanges between young entrepreneurs and representatives of the Group and its companies, highlighting the very latest innovations from Group companies and the **32 start-ups competing for the LVMH Innovation Award**. With the Viva Technology event, LVMH has reaffirmed its determination to put innovation at the heart of its strategy and position itself as a key player in digital transformation.

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 (thousands of euros)					
	2012	2013	2014	2015	2016	2017
Cash contributions	83 567	89 482	122 891	103 622	121 512	122 396
Time: employee volunteering during paid working hours	690	170	185	143	210	193
In-kind giving: product or services donations, projects/partnerships or similar	520	673	661	1 189	1 159	2 880
Gross total				105 055	122 881	125 469
Fiscal impact				50 979	57 078	60 748
Net Total				54 075	65 803	64 721

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 2017 are presented according to the following typology:



1. Culture, Heritage and Contemporary Design: For over 25 years, LVMH has pursued a comprehensive communications policy thanks to its innovative and original sponsorship initiatives. This is only natural, since they are the cultural, artistic and social expression of the shared values that underlie the success of its Group companies while allowing each to express its own personality and image. It is also practical, because LVMH intends its initiatives – on behalf of culture and artistic creation, education and young people, and major humanitarian causes – to illustrate what it means to be a socially responsible business.

- First, the LVMH group continued to support **creative activities by contemporary artists** in 2017. Having faithfully sponsored **Nuit Blanche** for over ten years, LVMH once again made a commitment to the City of Paris to support the French and international art scene and help as broad an audience as possible experience the work of **contemporary artists** in the heart of Paris.
- LVMH also undertook a number of initiatives promoting **awareness and development of France’s cultural and artistic heritage**:
 - Through a 5 million euro donation in October 2017, LVMH became the lead donor in the nationwide “Become a Patron !” sponsorship campaign kicked off by the **Musée du Louvre** to allow it to buy François I’s Book of Hours. In so doing, the Group made a decisive contribution towards acquiring and returning to France this national treasure that is a unique witness to the reign of one of the greatest figures of French history. The acquisition is due to be completed sometime in 2018.
 - In addition, in autumn 2017 the Group enabled the **Musée National Picasso** to stage the “Picasso 1932” exhibition, offering an unprecedented and intimate look at the art of Pablo Picasso and reconstructing his daily creative journal all through 1932, one of his most important and prolific years.

- As regards the **Fondation Louis Vuitton**, the year 2017 saw the “Icons of Modern Art: The Shchukin Collection” exhibition break the national visitor record when it closed in March 2017 after welcoming 1.2 million visitors. Then, in the spring, the “Art / Afrique, Le Nouvel Atelier” exhibition gave a broad audience the opportunity to discover the wealth and vitality of the African art scene. Lastly, from October onwards, the “Being Modern: MoMA in Paris” exhibition hosted, for the first time in France, an exceptional selection of 200 works brought to Paris from New York to recount the history of the Museum of Modern Art and its vocation as a collector. By reminder, 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.
- **Supporting the next generation of designers** [📖 See “2017 Social Responsibility Report” (pp. 27-28)] 2017-18
 - Alongside the key partnerships forged with schools and universities, such as the one with Central Saint Martins College of Art and Design in London, 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**, commonly known as the LVMH Prize. Following Thomas Tait in 2014, Marques Almeida in 2015, and Grace Wales Bonner in 2016, and after initial selections of 21 shortlisted designers from among 1,200 applicants representing 90 countries, a jury of international fashion experts chose French designer Marine Serre as the recipient of the fourth LVMH Prize for her designs combining urban inspiration and sportswear along her signature crescent moon motif. Along with this award, Serre received €300,000 as well as personalized support provided by a dedicated LVMH team for one year, helping the designer to develop her business. The Special Prize was awarded to Kozaburo Akasaka for his subtly deconstructed menswear.
 - For many years, guided by its tradition of being passionate about creativity, the LVMH group has more specifically supported a variety of initiatives around the world by means of sponsorship schemes such as the **ANDAM Fashion Award**, the International Festival of Fashion and Photography in Hyères, and the reimbursable grants offered to young fashion designers under the auspices of the French Ministry of Culture and Communication.
 - In June 2016, Loewe launched a new prize to recognize excellence in craft and design: the **Loewe Craft Prize**. The Spanish company’s foundation launched the prize in a reaffirmation of its commitment to safeguarding the skills and knowledge of craftsmanship. The Loewe Craft Prize aims to promote the ties that exist between craft and modern culture across all disciplines. In April 2017, it was awarded for the first time. *Tree of Life 2*, a design by Germany’s Ernst Gamperl, was chosen from 26 finalists by a panel of leading designers, architects, journalists in the field, and museum curators. Gamperl was handed the winner’s trophy by actress Charlotte Rampling, along with a cash prize of €50,000. Two special mentions were also given to Yoshiaki Kojiro and Artesanías Panikua. All of the works by the finalists of this inaugural Loewe Craft Prize now form part of a traveling exhibition, which opened at its first venue, COAM (Colegio Oficial de Arquitectos de Madrid) in the Spanish capital, on April 11, 2017. The exhibition then moved on to New York (Chamber Gallery, May 30–June 6, 2017), Tokyo (November 2017), and London (Collect Saatchi Gallery, February 22–26, 2018).
 - After receiving Thomas Mailaender at Les Tanneries Roux in Romans-sur-Isère, in February 2017, **LVMH Métiers d’Art** invited the 27-year-old French visual artist and sculptor Amandine Guruceaga for its second artist’s residency at the Riba Guixà tannery near Barcelona. A long-standing partner of the LVMH group, the Catalan tannery was founded in 1932 by Joan Riba Guixà and has been run by the same family for three generations. LVMH acquired a stake in this company in 2015. For five months, the artist had the opportunity to work with staff from the tannery and benefit from its production resources. Initiated by the Group in 2016, this program helps to develop and enhance materials and know-how for its fashion houses worldwide, while also stimulating creativity and innovation by means of dialogue between the resident artist and the host company’s artisans.

- **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 2017, LVMH notably renewed its support for the **association “Orchestre à l'école”**, enabling almost 200 children all over France to make music as part of a dedicated curriculum. LVMH also once again loaned out the Stradivarius violins in its collection.
 - Finally, the Group has supported **many institutions recognized for their initiatives in support of children**, the elderly and people with disabilities and for the prevention of major causes of suffering and exclusion.

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2. Health and Research [📖 See “2017 Social Responsibility Report” (pp. 89-91)]:

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In 2017, LVMH also pledged support for **several scientific foundations and teams involved in cutting-edge research on public health issues.**

- **2017 Dîner des Maisons engagées:** The fifth LVMH Dîner des Maisons engagées, celebrating the workforce-related and social commitments of the LVMH group's various companies, was held on December 13, 2017 at Fondation Louis Vuitton. The event, presided over by Chairman and Chief Executive Officer Bernard Arnault, brought together close to 400 participants this year, including representatives from 30 Group companies, various members of the Executive Committee and numerous partners, opinion leaders, and heads of NGOs and non-profits. A total of **€190,000 was raised**. Of this amount, €140,000 was donated in 2017 to the team at **Robert-Debré pediatric hospital in Paris** working every day to offer the best care possible to children with sickle cell anemia. These funds will once again help support hospital staff and identify effective, accessible new treatments that can be made available to all patients. Affecting more than 5 million people worldwide, and 250,000 newborn babies a year, sickle cell anemia is the most widespread genetic disease in the world. **More than €650,000 has been donated to the hospital since 2011.**

- In the same spirit, some Group companies opted to hold their own action days in 2017. In Germany, for example, **Guerlain** held an **LVMH Social Day**, giving employees an opportunity to dedicate a day to underprivileged children or elderly people. In France, since 2015 Guerlain has also been running a Commitment Day, when staff volunteer to take part in initiatives linked to nonprofits supported by the company. Over 150 employees took part in the day in 2016 and 2017. Lastly, for the second year running, **Moët & Chandon** held a charity sale in support of nonprofits working on behalf of sick children and particularly vulnerable populations.

- **Helping women with cancer:**

- In France, Guerlain has supported **Belle & Bien** for the past 14 years. This nonprofit organization is the French branch of the international Look Good Feel Better program, which is offered in 30 countries around the world to support women undergoing treatment for cancer. Belle & Bien offers free beauty workshops in hospitals to women with 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.
- In addition, on October 1, 2017, many employees from Hennessy, Moët Hennessy Diageo, Berluti, Céline, Christian Dior Couture, Louis Vuitton, Benefit Cosmetics, Make Up For Ever, Parfums Christian Dior, Chaumet, Fred and LVMH Fragrance Brands donned the colors of Belle & Bien for the **Odyssea race** to raise money for breast cancer awareness, research and support for patients and their families.
- They also participated in **Pink Fridays** as part of the worldwide annual campaign during the month of October to highlight the importance of breast cancer awareness and research, promoted in France by La Ligue Contre le Cancer.

- Every year, DFS employees around the world also support a **breast cancer awareness campaign** by raising funds and sharing information about this illness with their colleagues. The company’s initiative has met with success not only at sites in places like Singapore, but also in Hawaii, Saipan and Guam, for example. In Hong Kong, DFS employees raised \$35,000, which was donated to the Hong Kong Cancer Fund. In Venice, Italy, DFS partnered with Il Cerchio, a social cooperative working on behalf of current and former women inmates, to help organize their annual fashion show, where inmates at the women’s prison on the island of Giudecca had an opportunity to show off their designs.
- **Supporting sick children:**
 - Since 2015, Sephora China has been working alongside the **international NGO Operation Smile** to pay for operations for children with a cleft palate, thus improving their health and quality of life. Sephora China supports this initiative that helps underprivileged children who could not otherwise benefit from surgery for financial reasons. There are two components to Sephora China’s involvement. Firstly, the company has introduced a line of five products, all proceeds from which are donated to the nonprofit to enable it to operate on more children. The products, which are available in Sephora stores and through its website, help mobilize support as widely as possible in China. Secondly, Sephora also supports medical staff in China. Four visits have taken place since 2015, involving over 50 volunteers from Sephora and 110 medical volunteers from all over the world. To date, 758 children have been treated; the company’s aim was to have helped a thousand children by the end of 2017.
 - Other initiatives during the year include the participation by 250 Le Bon Marché employees in **La Virade de l’Espoir**, a race held on September 24, 2017 to help in the fight against cystic fibrosis.
- **Actions in the fight against HIV/AIDS:**
 - In 2016, Fresh joined forces with **(RED), an international nonprofit** whose aim is to engage millions of people in the fight to end AIDS in Africa. The company 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).
 - At the international level, various Group companies are involved in supporting **medical research on HIV/AIDS**. For example, Bvlgari supports a range of humanitarian initiatives, including the Elton John AIDS Foundation (EJAF) and The Foundation for AIDS Research (amfAR).
- **Men’s health:** In France, Guerlain supports 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. Staff in the United Kingdom were also involved this year.

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

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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. [📖 See “2017 Reference Document” (pp. 94-97) and “2017 Social Responsibility Report” (pp. 61-69).]

In this COP 2018, see:

- ▶ CRITERION 15 (“Employment and regional development”).
- ▶ CRITERION 2 (“4.1.3. External and internal actions to support suppliers”).

4. Supporting integration through employment [📖 See “2017 Reference Document” (pp. 95-97) and “2017 Social Responsibility Report” (pp. 84-87).]:

2017-18

- **Helping young people access the working world:**

- LVMH has developed a partnership with the Paris suburbs **Clichy-sous-Bois** and **Montfermeil**. Driven by a shared commitment to excellence, this partnership helps facilitate employment for young people from underprivileged neighborhoods as well as social cohesion. Young people are the beneficiaries of a wide range of initiatives: “business discovery” internships for nearly 60 middle school students in 2017, visits to Group companies, internships for vocational school students, career orientation, etc.
- An annual meeting organized as part of this partnership, the **Village de l’Institut des Métiers d’Excellence** LVMH is a one-day gathering of middle and high school students, parents, and adults undergoing retraining to introduce them to a wide range of professions and work-linked training options in jewelry, couture, leather goods, vineyards and wine, the culinary arts, retail design, and sales. The second IME Village was held on March 29, 2017 at Espace 93 in Clichy-sous-Bois and involved local non profits, several Group companies, and partner schools (Avize Viti Campus, BJO Formation, Les Compagnons du Devoir et du Tour de France, École de la Chambre Syndicale de la Couture Parisienne, EMA SUP Paris, and Ferrandi Paris). The day was also an opportunity for dialogue with apprentices from partner schools, former students of the Institut des Métiers d’Excellence LVMH, and human resources managers from various Group companies. In 2017, this gathering of professionals and future apprentices was attended by several hundred young people.
- As part of this partnership, for the seventh year running the LVMH group sponsored the **Cultures and Creation fashion show**, held in Montfermeil on February 4, 2017. This event, launched in 2005, highlights the region’s creative talent and enables young but underprivileged fashion enthusiasts to gain recognition within the industry. 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, the former top model and current Guerlain beauty ambassador. At the fashion show, the Group awards a **Young Talent Prize**. In 2017, the panel of judges – composed of fashion and human resources professionals – awarded the Special Jury Prize to Emeline Dufour for her design work. The Young Talent Prize was awarded to Laurie Procès. With support from LVMH in the form of a grant for purchases of materials and personal mentoring by Group staff, Procès had the opportunity to exhibit her designs at **Greenshowroom, an exhibition dedicated to environmentally responsible fashion held from July 4 to 6, 2017 as part of Berlin Fashion Week**. Among former winners, Anaïs Guille, winner of the 2013 Young Talent Prize, has since joined Dior’s haute couture workshop, and Audiane Cojean, winner of the 2015 Young Talent Prize, has joined the Paris Opera as a costume designer. 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 École de la Chambre Syndicale de la Couture Parisienne.
- 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.
 - For example, Louis Vuitton’s production facilities in the French administrative departments of Ardèche and Drôme run a number of initiatives with local educational institutions and training providers to provide vocational training leading to a CAP (professional aptitude certificate) in leather goods or a BTS (advanced technical certificate) as a fitter technician.
 - Similarly, the Asnières site has established a partnership with La Fabrique, a fashion and interior design school in Paris, with the aim of helping young people and adults undergoing retraining find work. Discussions have also taken place with École Simphon, which helps people undergoing retraining find work in the fashion industry.
 - To help connect companies with job seekers, Parfums Christian Dior is behind the “*2000 emplois, 2000 sourires*” (2,000 jobs, 2,000 smiles) job fair, which was held this past year on May 11, 2017. Organized at the heart of the area covered by the Cosmetic Valley innovation cluster in France, the aim of this event is to put young job seekers in direct contact with

recruiters at local companies. At this year's fair, employment advice was provided to many attendees and 500 applications were received.

- At a half-day event on November 28, 2017, Kenzo also presented its business lines and the site of its Place des Victoires store in Paris to students from Lycée Simone Weil in Dijon studying for a vocational qualification in business and luxury.
 - Lastly, TAG Heuer continued and strengthened implementation of its agreement with the regional job center in the Swiss canton of Neuchâtel to promote local jobs and reduce unemployment in the area.
- To help people return to work, **Veuve Clicquot** continued with initiatives under its July 2016 agreement with **France's national job agency Pôle Emploi**, a longstanding partnership established in 1998. This social innovation initiative aims to help job seekers in northeastern France's Grand Est region throughout every step of the recruitment and skills development process. In 2017, Veuve Clicquot sponsored Entretiens de l'Excellence for the fifth year running. This registered nonprofit, 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. As corporate partners of **NEOMA Business School**, mainly based in Reims, Veuve Clicquot and Krug also take part in Les Cordées de la Réussite, a program that provides mentoring for over 200 high school students in the Champagne-Ardenne region. The aim is to help these young people find their bearings and define their aims in terms of careers and the world of work. Veuve Clicquot also continued its partnership with Lycée Roosevelt in Reims by organizing talks by representative staff members to high school students and students having enrolled after the Baccalaureate in a preparatory course to apply for a place at one of France's prestigious *grandes écoles* (business or engineering schools), to introduce them to the company's business lines and sites.
 - Similarly, **Hennessy** works with **100 Chances 100 Emplois** in the Cognac region. This nonprofit aims to help young people 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 microbusinesses. A major partner to local organizations that promote employment and social inclusion, Moët & Chandon is the largest local investor in educational projects after the city of Epernay. It is also a partner in the work discovery week for students initiative organized by the local chapter of MEDEF, the French employers' association, and is a member of AJE, an association that connects young people and businesses, which has certified the company for its engagement in initiatives to promote learning through entrepreneurship.
- **Helping disadvantaged individuals find work** [📖 See "2017 Social Responsibility Report" (p. 86)]:
 - To promote equal-opportunity access to world-class education, for the past six years LVMH has supported the priority education program run by the **Institut d'Études Politiques (Sciences Po Paris)**, by offering scholarships and enabling young people to attend the school and be mentored by Group managers. In 2017, LVMH renewed its commitment – under which it will provide financial support and mentoring by Group managers for around ten students – for four years.
 - The Group has also forged a lasting partnership with the charity **Nos Quartiers ont des Talents**, and serves on its board of directors. The organization offers young graduates from underprivileged backgrounds the chance to be mentored by an executive or manager working at the Group. A number of Group companies participate in this program. In 2017, 105 experienced managers served as mentors, and 49 young mentees were still participating in the program at the end of the year. Since 2007, 533 young people have found jobs after being mentored by a Group employee. LVMH also took part in the *Talents Hub* event held on November 15, which gave over 2,500 young people an opportunity to receive advice and guidance on finding work.

- To speed up access to employment, LVMH organizes **Jobstyle job coaching sessions**, 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. Ten sessions were held in 2017, with more than 300 individuals followed up by LVMH’s partners (*Force Femmes, Nos Quartiers ont des Talents*, etc.) participating in the program.

Nos Quartiers ont des Talents (“Our neighborhoods have talent”):
105 experienced managers served as mentors in 2017, with **49** young mentees still participating in the program at the end of the year. Since 2007, **533** young people have found jobs after being mentored by a Group employee.

Jobstyle job coaching sessions:
 In 2017, **10** sessions were held and more than **300** people participated.

- **Moët & Chandon and Ruinart** have developed various partnerships with local authorities, educational institutions and organizations working with underprivileged groups. Along these lines, the two champagne houses have partnered with **ARIFOR** (a regional action group for information on training and orientation) and Lycée Hessel in Epernay to help arrange internships for high school students with disabilities supported by local educational inclusion units.
- During **European Disability Employment Week** from November 13 to 17, 2017, Moët Hennessy Corporate ran its first *Mets tes baskets et bats la maladie!* (“Put on your running shoes and help beat disease”) campaign, organized in conjunction with the European Leukodystrophy Association (ELA). Through a two-day walk, the campaign aimed to increase staff awareness and financially support the ELA. In connection with this event, communication was strengthened around two pillars of CSR policy: respect for individuals, and supporting people with disabilities and helping them continue to work.

In this COP 2018, see also:
 ▶ CRITERION 2 (“Example of Socially Responsible Procurement”).
 ▶ CRITERION 4 (“4. Employment of disabled persons”)

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.

- **Supporting populations in emergency situations** [📖 See “2017 Social Responsibility Report” (pp. 91-92)]:

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- On January 11, 2016, **Louis Vuitton** entered into a partnership with **UNICEF** (United Nations International Children’s Emergency Fund). **In its first year, the partnership raised \$2.5 million to support children in Syria and Nigeria.** To step up its activities in this area, in January 2017 Louis Vuitton launched #MakeaPromise Day, its first customer awareness event to raise funds and support for the organization, which helps children in urgent need. In over 460 Louis Vuitton stores spread across more than 60 countries around the world, 12,000 Louis Vuitton sales associates focused on selling two specially developed products – the Silver Lockit pendant and the Silver Lockit Color bracelet – all profits from which are donated to UNICEF. Louis Vuitton and UNICEF invited everyone to join the campaign by making a donation or buying a Silver Lockit and sharing their promise on social media using the hashtag #MakeaPromise. Employees are also involved in supporting the work of the organization through internal fundraising campaigns. Six employees also visited refugee camps in Lebanon to see how the funds were being used. By the end of 2017, a total of €4.5 million had been

raised since the Louis Vuitton for UNICEF partnership was launched, in particular to help children living in Syrian refugee camps in Lebanon.

- In 2017, **Christian Dior Couture** entered into a partnership with **Epic Foundation** to fight against social inequalities affecting children. Epic provides high social impact organizations with the resources they need to address inequalities faced by youth and children around the world and improve their lives in the areas of health, education and protection. Employees were encouraged to support the partnership through a micro-donation system based on rounding down their salaries. At the end of 2017, 200 employees were participating in this initiative. The company also supported Epic by taking part in its annual gala in November 2017, where it participated in an auction.
- Back in 2009, **Bvlgari** decided to partner with **Save the Children**, an international NGO whose mission is to protect the rights of millions of children and work for lasting improvements in their living conditions in 120 countries. Since then, 700,000 Bvlgari's customers have purchased some pieces in its Save the Children jewelry collection, and the company has donated more than \$70 million from the proceeds to help 1.2 million children in need through the organization's programs. Over 100 projects have been launched in 33 countries around the world, with a particular focus on improving services and infrastructure, and education. Bvlgari also involves its employees, with more than 250 having visited Save the Children projects on the ground. The partnership is also backed by 275 A-list celebrities who have lent their support as ambassadors since the launch of the **#RaiseYourHand campaign**.
- In 2017, **Sephora** continued its partnership with **Toutes à l'école**, an NGO promoting education for young girls in Cambodia. During the festive year-end period, Sephora sells a dedicated item through its store network, with all proceeds going the organization. Thanks to the involvement of staff and customers, a total of €440,000 was raised. Sephora is also involved in initiatives in numerous countries: in Germany with AWO, offering refuge and support services to women and children who are victims of domestic violence, sexual abuse and human trafficking; in Saudi Arabia, offering comprehensive medical cover to divorced women and supporting jobs and workplace development for women; in China, through a violence prevention awareness program; in Spain, France and Portugal in cooperation with *Fondation Ana Bella*; and in Italy by supporting CAF, a nonprofit that provides education for underprivileged girls.
- Among the numerous initiatives run by Group companies around the world, it is worth noting that:
 - On December 7, 2017, **Kenzo** took part in the 12th gala dinner organized by **AEM** in support of children in Rwanda. The evening, held at Pavillon Ledoyen-Yannick Alléno, was hosted by Mademoiselle Agnès and Ariel Wizman.
 - The newspaper **Le Parisien** entered into a partnership with **Handicap International** on September 29, 2017 and took part in the *Salon Emmaüs* exhibition on June 25, 2017.
 - Meanwhile, **Zenith** provides financial support to *Fondation Les Billodes*, a learning center in Le Locle, Switzerland that has been helping children and teenagers in difficulty for over 200 years. Zenith has already taken on orphans as apprentices in the past. In 2017, it financed a trip for teenagers aimed at boosting their independence and personal development.
 - Lastly, following **Hurricane Irma**, which hit Florida in September 2017, Hôtel Cheval Blanc donated linens and furniture. **Guerlain** and **Loro Piana** also made donations to help people affected by the catastrophe.

• **Disadvantaged populations:** Facilitating access to education may sometimes even involve helping to build a local school, as the Group’s companies have done. [See “2017 Social Responsibility Report” (pp. 86-88)]:

○ **Empowering women (Promoting women’s autonomy and self-confidence):**

- In May 2017, for the third year running, Benefit Cosmetics ran **Bold is Beautiful**, a beauty fundraising campaign in 17 countries aimed at helping women believe in themselves and achieve their full potential by supporting projects in many countries: Australia, Brazil, Canada, France, Ireland, Italy, Mexico, New Zealand, the Philippines, Portugal, Singapore, South Korea, Spain, Turkey, the United Arab Emirates, the United Kingdom and the United States. For this third campaign, **Benefit Cosmetics raised USD 4.7 million thanks to 445,911 participants at its Brow Bars** – twice as many as the previous year. All of the proceeds from these brow waxes were paid over to the 34 charities that work with Benefit Cosmetics. **By the end of 2017, Benefit Cosmetics had raised over USD 11 million donated to charities all over the world since the Bold is Beautiful campaign first began.** The charities supported all contribute in some way to empowering women and building their self-confidence. Look Good Feel Better, for example, helps women undergoing treatment for cancer face their diagnosis with greater confidence while improving their self-esteem. The charity organizes small group beauty and makeup workshops to allow them to enjoy a shared moment of well-being and closeness. Dress for Success helps women achieve economic independence by providing a support network, professional attire, and career development tools. Benefit Cosmetics also toured the United Kingdom and Ireland with its pink pop-up store reselling products donated by celebrities, influencers and partner brands. This tour raised an additional USD 38,000 for charity.
- Other LVMH group companies have lent their support to raise the profile of the Bold is Beautiful campaign, such as **Chaumet** and **Céline**. Meanwhile, **Moët & Chandon** supports **CAMI Cancer**, while **Thomas Pink** is involved in the **We Are Macmillan Cancer** Support project.
- For the first time in 2017, **Guerlain** entered into a partnership with **Association Laurette Fugain**, a charitable organization dedicated to fighting leukemia, to mark International Women’s Day. Makeup artists went to Hôpital Trousseau to offer “beauty breaks” to mothers of sick children and hospital staff in the pediatric hemato-oncology department. A total of 40 women were able to enjoy this moment of well-being. For the fourth year of its partnership with Les Restos du Coeur, which offers free meals to people in need, 140 Guerlain employees also offered beauty breaks to people being fed at Les Restos du Coeur centers in Paris, Chartres, Rambouillet, Strasbourg, Lille, Lyon and Marseille. The initiative ran for ten days and coincided with Mother’s Day. A total of over 950 women were able to enjoy this moment of well-being.
- Every year, **Christian Dior Couture** takes part in **Journée K**, run by the **K d’Urgences** Foundation to mark the Global Day of Parents, proclaimed by the UN General Assembly in 2012. This day gives single-parent families an opportunity to meet professional advisers who can help them with administrative formalities. The company’s human resources and welfare teams attend the day, where they give out CV advice and information on existing forms of help. Support for single-parent families is also offered internally. New initiatives include *Mes Solutions Family*, a parents’ information portal launched in September 2017. The portal, which can be accessed from any computer, tablet or smartphone, aims to make employees’ day-to-day lives easier by providing information, tools and services for parents. It is aimed at employees who are future parents, parents of young children or teenagers, or responsible for a dependent parent, and provides regularly updated information organized into more than 500 topic-based pages.

- **Make Up For Ever** is also involved in this campaign. Already in 2016, the Maison had been awarded the “**Single-Parent Family Charter Award**” at the charter’s awards ceremony hosted by Anne Hidalgo, Mayor of Paris.
- In March 2017, **Christian Dior Couture** launched the **Women@Dior mentoring program** aimed at supporting female students to promote their place in the working world and boost their self-confidence. Each student meets and chats with a female employee of Dior at least once a quarter for a year. All mentors are aged under 30 and work either on the design and creative side or in marketing, retail, merchandising, architecture or communications, representing the diversity of the company’s business lines.
- In 2017, **DFS** initiated discussions with **Asian University for Women (AUW)**, which is based in Bangladesh. AUW’s mission is to provide education to women from underprivileged or marginalized backgrounds in countries where women are traditionally discouraged or prevented from accessing education. From 2018, DFS will be offering internships to AUW graduates in order to give them an opportunity to gain professional experience in multinationals based outside their home countries that encourage empowerment for women.
- In 2017, **Sephora** continued with its “**Sephora Stands initiative**” in the Americas (Brazil, Canada, Mexico and the United States). Sephora launched this initiative in support of social and environmental impact programs. In 2017, Sephora Americas hosted and ran the first Sephora Stands Global Summit, attended by executives from other Sephora regions interested in Sephora Stands. Sephora Stands has extended beyond the Americas, with launches in Europe and the Middle East. At present, the program has three main components:
 - ✓ **Classes for Confidence**: free 90-minute beauty classes for disadvantaged women and women undergoing cancer treatment. These classes were offered over 525 times to almost 4,000 women, in partnership with 225 nonprofits (compared with 202 classes, 1,750 women and 125 partner nonprofits in 2016). A total of 258 US stores took part, as well as five pilot stores in Canada. A new class was added to the Classes for Confidence offerings in March 2017: “**Brave Beauty in the Face of Cancer**”. With the same goal of regaining self-confidence at times of major transition, this class offers advice on concealing the visible effects of cancer treatment. The initiative aims to support 100,000 people in the labor market between now and 2020.
 - ✓ **Sephora Accelerate**: supporting women entrepreneurs in the early stages of their careers through practical advice, mentoring and funding. The 2017 cohort consisted of ten women entrepreneurs representing four countries: the United States, Canada, Mexico and Brazil (compared with eight entrepreneurs and three countries in 2016). All the entrepreneurs who have taken part have found the program useful, and two are launching out with Sephora in 2018. This group of entrepreneurs has received a total of more than 600 hours of mentoring. Sephora Accelerate aims to support 50 female beauty business entrepreneurs by 2020.
 - ✓ **Sephora Stands Together**: an emergency support fund for employees, which has been extended to include Canada and Mexico. In 2017, Sephora supported over 150 employees – many of them victims of natural catastrophes – through a \$250,000 fund. A skills sponsorship program involving volunteer assistance on leave days was also tested, with employees devoting a total of 400 vacation days to the initiative.

Sephora Stands program in the United States:

In 2017, **525** groups were set up as part of a program to build self-confidence, supporting a total of **4,000** women in collaboration with **225** nonprofits.

- The fifth LVMH Dîner des Maisons engagées, celebrating the workforce-related and social commitments of the LVMH group’s various companies, was held on December 13, 2017 at Fondation Louis Vuitton also provides an **opportunity to support a chosen cause**. LVMH took the opportunity to reiterate its financial support for two of its favorite charities:
 - **Kelina**, which works to provide care for mothers and children in Benin. Money donated has helped to build a maternity unit in northwest Benin, a region with limited medical facilities. **A total of EUR 80,000 has been donated since 2015.**
 - **K d’Urgences**, which provides human, social and financial support for single-parent families in France. **A total of EUR 80,000 has been donated since 2014.** On May 24, 2017, the Jardin d’Acclimatation welcomed 3,000 single parents with the support of LVMH staff and in partnership with other institutions and businesses for the Journée K event. The day provided an opportunity for them to directly access all the employment, legal and social services often needed by single-parent families.

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.

- **Corporate Sponsorship** [📖 See “2017 Environmental Report” (pp. 21-23)]: LVMH also takes action for the environment via corporate sponsorship.



- Certain Maisons have chosen the path of **scientific corporate sponsorship**:
 - This is the case of **Hennessy**, which has donated **EUR 600,000** to a team of French and international scientists involved in combating diseases that affect wood and vines. This donation will enable a better understanding of the reasons for the “epidemic” spreading of symptoms and will be a source of hope for finding alternative solutions in order to eradicate this vine disease.
 - Other Maisons support iconic operations, or leading environmental players. Thus, **Kenzo** is fighting to protect the seas with the **Blue Marine Foundation**.
 - **TAG Heuer** is one of the backers of the **FIA’s Formula E**, a wholly electric world car racing championship.
 - **Moët Hennessy** is the official partner of the **Solar Impulse airplane**, 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.
 - In Poland, **Belvedere** is one of the long standing players involved, together with the **Foundation for the Protection of the Local Environment**.
 - In Scotland, **Glenmorangie** is protecting the Dornoch Estuary with the **Marine Conservation Society**: with its support, the DEEP (Dornoch Environmental Enhancement Project) will, in particular, enable the reintroduction of oysters into the estuary, where they were plentiful until they were decimated in the 19th century by overfishing.
 - This corporate sponsorship policy is bearing fruit, as shown by the outstanding successes in 2017.
 - ✓ For example, on June 28, the Champagne Maisons and the **Office national des forêts** (the French forestry commission) – which have been working together as part of the Forêt d’Exception® (Exceptional Forest) certification since 2011 – celebrated the certification of the three state-owned forests of Verzy, Hautvillers, and Chêne à la Vierge in the Montagne de Reims subregion.

- ✓ 2017 was also a very successful year for **Hublot**'s environmental corporate sponsorship policy. The Maison has continued its commitment to the protection of big cats with the **Black Jaguar-White Tiger Foundation**, which it has been supporting since 2016. It participated in an auction to finance the creation of a new sanctuary designed to shelter about 350 animals, including jaguars, tigers, leopards, lions, and pumas. Hublot also pursued its collaboration with **Depeche Mode**, which began in 2013. The aim is to provide clean drinking water to population groups by raising funds for this not-for-profit charity: water. In four years, the two partners have enabled 229 projects to become a reality worldwide, for the benefit of more than 30,000 people.
- **Protecting bees is a symbolic cause:** Bees play a key role in protecting biodiversity and have a strong historical link with several of LVMH Group's Maisons. Accordingly, their protection is one of the main priorities of the Group's corporate sponsorship policy. The Maisons' commitment take several forms. Some involve informing and raising awareness.
 - ✓ For example, with the assistance of **Bees4you**, **Hublot** has housed a large number of hives, invites its employees to take part in harvesting the honey, and offers its "liquid gold" to its customers and partners. Other Maisons support scientific research. Several Maisons back the initiatives of local organizations.
 - ✓ This is specifically the case of **Guerlain**, whose symbol is a bee. The Maison has for many years supported the Association for the Protection of the Black Brittany Bee on Ouessant Island. It provides financial support to the organization, showcases its work, and provides assistance in terms of communications, as well as legal assistance. Since 2015, Guerlain has also been helping the French apidology monitoring center to achieve its goal, namely to train 30,000 new beekeepers in Europe, and to create 10 million new bee colonies by 2025. On May 11, 2017 the Maison took a new initiative by organizing the first Bee University event. This is a conference that intends to share, with the top specialists, the challenges associated with the protection of bees and the solutions to prevent their extinction.
- **Partnerships, professional exchanges and fundamental research:** 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 2018 CRITERION 18 ("The COP describes partnerships and collective action")

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:

In this COP 2018, see:

- ▶ CRITERION 1 ("Commitment and involvement at the highest level")
- ▶ CRITERION 3 ("The COP describes robust *commitments, strategies or policies* in the area of human rights")
- ▶ CRITERION 6 ("The COP describes robust *commitments, strategies or policies* in the area of labour")
- ▶ CRITERION 9 ("The COP describes robust *commitments, strategies or policies* in the area of environmental stewardship")
- ▶ CRITERION 12 ("The COP describes robust *commitments, strategies or policies* in the area of anti-corruption")

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:

• Mapping of stakeholders:

- For the past three years, the “2017 Social Responsibility Report” (pp. 17-19) has included a map of the main “**Relationships with stakeholders**”.
- See also “**External communications**” in “2017 Environmental Report” (p. 23).

• 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 its own stakeholder engagement.

Many consultations and partnerships are implemented by LVMH with its main stakeholders. **The LVMH initiatives for the year 2017 are presented according to the following involvements.**

2017-18

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. The Group now has a new target, i.e. reducing CO₂ emissions linked to the consumption of energy by 25% between 2013 and 2020.

• 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.

In 2017, for example, LVMH attended the **Fifth International Africa and Beauty Forum**, which was held in Lomé, Togo, from February 20 to 24. In fact, Sylvie Bénard, the Group's Environment Director, was the sponsor of this event. Based on the theme "Nature, beauty, sensoriality and spirituality", this event highlighted the importance of plants in current and future beauty products. It provided an opportunity to draw up a situational analysis of supply chains showcasing African plants in various areas, including cosmetics, and to review the implementation of the Nagoya Protocol. LVMH actually presented its work on two medicinal African plants with cosmetic properties, *Opilia* and *Hibiscus*. [📖 See "2017 Environmental Report" (p. 23)]

- 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, for every year since 2010, partnered with the **European Commission** to take part in Green Week, the largest annual conference on European environmental policy. On these occasions the Group sends information factsheets about the subjects to be addressed to about 70,000 employees. The theme for **Green Week in 2017** was "Green Jobs for a Greener Future". Five factsheets were created to explain the roles and expertise that enable LVMH to implement its environmental policy, to increase its expertise on this subject, to procure supplies while respecting natural resources, to eco-design its products, and to distribute them sustainably. [📖 See "2017 Environmental Report" (p. 23)]

- 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 "2016 Environmental Report" (p. 43).]

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).
- **Impact of the business on regional development:** 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. [📖 See “2017 Reference Document” (pp. 94-97) and “2017 Social Responsibility Report” (pp. 61-69).]

In this COP 2018, see also:

- ▶ CRITERION 15 (“Employment and regional development”).
- ▶ CRITERION 2 (“4.1.3. External and internal actions to support suppliers”).
- ▶ CRITERION 15.

• 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 25 areas of specialist expertise** in an open working environment, designed to encourage the exchange of information. In total, **by the end of 2017**, 400 projects and 1,400 new products have been developed, 700 scientific papers and 200 patents have been submitted and filed. Its technological equipment and its ultra-modern connectivity are at the disposal of the researchers of LVMH Research, but also of their various partners, notably through the Cosmet'up project. 2017-18
 - 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.

Berluti, Céline, Christian Dior Couture, Louis Vuitton, Guerlain, LVMH Fragrance Brands, Make Up For Ever, Le Bon Marché, Sephora and Les Echos...

- 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 lend their support to this initiative and more than 50 young people benefited from LVMH's involvement in 2017. Some Group companies such as Berluti and Christian Dior Couture are also ARPEJEH partners and have taken part in specific recruitment drives or the organization's *Atelier découverte des métiers*, a workshop introducing participants to a range of professions, held this past year on November 28, 2017. 2017-18
- 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.
- In 2017, the LVMH group, as well as the Perfumes and Cosmetics business group and Louis Vuitton, also joined forces with **EcoVadis** in order to develop an even more exhaustive approach to controlling their supply chains. The Group will also aim to strengthen the working groups for each of its businesses to best reflect their specific characteristics and requirements. 2017-18

• **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:** Based on its convictions, LVMH has decided to address environmental protection challenges from a scientific standpoint. Supporting fundamental research enables it to advance knowledge on natural resources and the means of protecting them.
 - LVMH is implementing a global long-term initiative together with several preferred partners, such as the **Fondation pour la Recherche sur la Biodiversité** (FRB – the French Foundation for Research on Biodiversity). As a founder member of FRB, in November 2014 the Group became the first private company to join the eight public research bodies that have seats on FRB’s Board of Directors. It has also, for many years, been one of the 160 members of the Foundation’s Strategy Board, and is responsible for reviewing the design of research programs aimed at promoting biodiversity. LVMH monitors all the FRB’s work, and contributes to it on a regular basis. This collaboration has, in particular, resulted in the publication of recommendations on the use of natural substances, on access, and on sharing the benefits in the cosmetics sector. These recommendations were drawn up following research on two types of plants used in the cosmetics sector and included in the formulation of Christian Dior cosmetics (*Aframomum Angustifolium* from Madagascar, and *Anogeissus Leiocarpus* from Burkina Faso).
 - LVMH is, in particular, heavily involved in problems relating to sustainable procurement. In order to help improve the methodological discussion on the environment and biodiversity, LVMH is a member of the “Biodiversity” working group set up by **Orée**, the French multiparticipant organization, and by the **Fédération des Entreprises de la Beauté (FEBEA)**, the French Beauty Companies Association).
 - For many years, LVMH has also been a member of the **BSR (Business for Social Responsibility)** network, the world leader for the corporate, societal, and environmental responsibility of businesses. As a member of this organization, LVMH contributed, in 2016, to the drafting of an update to Animal Sourcing Principles, a document that sets out the main principles for the responsible treatment of animals in supply chains. In 2017, six of the Group’s Maisons forwarded this document to their suppliers, and three more of them are expected to do so in 2018.
 - In 2011, LVMH joined the **LWG (Leather Working Group)**, whose work on the traceability of leathers and environmental audit standards for tanneries is internationally recognized.
 - In 2016, LVMH joined the **Textile Exchange**, a US organization dedicated to sustainable supplies for the textile sector. LVMH plays an active role within this organization, developing unconventional cotton supply chains or in introducing new standards such as the Responsible Wool Standard (RWS). These standards, which are directly inspired by the issue of animal welfare, are expected to enable the procurement of supplies with a guarantee of the best animal breeding conditions. LVMH also pays attention to animal welfare in the wool sector, particularly the practice of mulesing sheep. The Group is in discussions with the **IWTO**, the **Textile Exchange** and the Maisons’ suppliers regarding the development of alternative methods, by encouraging the roll-out of the Responsible Wool Standard (RWS), for example. LVMH has joined the **Sustainable Fibre Alliance**, which deals with the sustainable sourcing of cashmere, and incorporates animal welfare criteria among other subjects, such as preventing desertification.
 - In 2017, LVMH also adhered to the “**Sustainable Apparel Coalition**” (SAC) the apparel, footwear, and textile industry’s leading alliance for sustainable production. The Coalition develops the Higg Index, a standardized supply chain measurement suite of tools for all industry participants. These tools measure environmental and social labor impacts across the supply chain. With this data, the industry can address inefficiencies, resolve damaging practices, and achieve the environmental and social transparency consumers are demanding. By joining forces in a Coalition, we can address the urgent, systemic challenges that are impossible to change alone.

2017-18
 - 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. On July 1, 2017, after two of its Maisons (Thomas Pink and Mark Jacobs) had initially joined, LVMH became a **member of the Better Cotton Initiative**, a not for profit organization set up in 2009 to promote best practices in the growing of cotton.

2017-18

- Since 2013 the Group has been supporting a **research project on the DNA** of Southeast Asian pythons, entitled "Population Genetics and their Forensic Applications to the Reticulated and Burmese Pythons Involved in the Commercial Skin Trade in Southeast Asia" which was completed in 2017. This research was launched with a specific aim, namely identifying the geographical origin of the animals, and distinguishing between animals bred in captivity and animals removed from their natural environment, in order to avoid excessive pressure on the resource, and encourage the prevention of poaching. By reminder, 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.
- LVMH is also one of the industrial partners of **CIRAIG**, the international reference center for the life cycle of products, processes, and services based in Montreal, Quebec. The company supports the center's work on the circular economy and the water footprint. It has also financed a Research Chair since 2013, so that its Maisons can benefit from the support of top worldwide specialists in fields such as the Life Cycle Analysis (LCA) and eco-design.

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

In this COP 2018:

- ▶ See CRITERION 2 ("sustainable viticulture").
- ▶ See CRITERION 9 ("Ethno-botany and sustainable viticulture")

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

- In Argentina, **Bodegas Chandon** has been rolling out an educational program in 18 rural schools close to its wineries and vineyards since 2010. The program is called "My tree, my school, and me", and is based on the training of teachers. It enables **500 school children's** awareness of trees, water, and the environment to be raised every year, thanks to the planting of a nursery at the school.

2017-18

- In 2017, new project partnerships were set up. In particular, LVMH has signed a second Charter with the **City of Paris**. The Group will become involved in one of the goals of the huge "greening" program launched by the Metropolitan Area with a time horizon of 2020, to install 250 acres of cultivated soil on roofs. Thus, the roofs of Le Bon Marché store have been turned into gardens designed and maintained by the Maison's employees.

2017-18

- See other many partnerships linked to "**Corporate Sponsorship**":

▶ See CRITERION 16.

5. Consumers and public:

• Concerning stakeholders' expectations and management of satisfaction and complaints:

See in this COP 2018 “Grievance mechanism, communication channels and other procedures (e.g. whistleblower mechanisms)” in:

- ▶ CRITERION 4 (“The COP describes effective *management systems* to integrate the human rights principles”)
- ▶ CRITERION 7 (“The COP describes effective *management systems* to integrate the labour principles”)
- ▶ CRITERION 10 (“The COP describes effective *management systems* to integrate the environmental principles”).

• Awareness of customers:

Concerning “Responsible Consumption” see also “Grievance mechanisms, communication channels and other procedures” in this COP 2018:

- ▶ CRITERION 4
- ▶ CRITERION 10

- Since the publication of its first environmental report in 2001, LVMH has unceasingly continued to develop external communications on its efforts to protect natural resources. The challenge for the Group is to provide information in the most comprehensive and transparent manner possible, not only for its customers, partners, and regulatory authorities but also for public operators, non-governmental organizations, voluntary organizations, and any members of the public who are interested in environmental problems.
- Reconducted on October 12, 13 and 14, 2018, the LVMH group opened the doors of some 40 Group companies as part of the *Les Journées Particulières* open days 2017-18 between May 20 and 22, 2016. 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.
- The Group’s Maisons also conduct their own external communications campaigns. 2017-18
 - In 2017, for example, **Fendi** took part in the first Green Carpet Fashion Awards organized in Milan on September 24, in order to honor designers and professionals working in eco-responsible fashion.
 - **Guerlain** published a new Sustainable Development Report and organized two new “Sustainable Inspirations from n°68”, in order to recognize men and women who are committed from a societal and environmental standpoint. In the same spirit as these “Sustainable Inspirations”, the Maison launched a Bee Night involving the French apidology monitoring center, its new partner in fighting for the protection of bees. Furthermore, it participated in LuxePack, the luxury goods product packaging trade fair in Monaco, for the sixth year running.
 - Meanwhile, **Louis Vuitton** spoke at the Third Luxury Goods Trade Show in Paris, during a roundtable dedicated to sustainable development.

- **Local residents:**

As an example, **La Samaritaine** is undergoing a large-scale renovation project which adheres to an innovative environmental approach. Several activities will be grouped together in its buildings on the two blocks between the Quai du Louvre and the Rue de Rivoli in Paris: a department store, a 72-room Cheval Blanc luxury hotel, 96 social housing units, a daycare center and offices. The building permit granted at the end of 2012 was definitively validated by order of France's Supreme Administrative Court (*Conseil d'État*) on June 19, 2015. [See "2017 Reference Document" (p. 22).] For the renovation of La Samaritaine, various informational meetings were held before and during the clearing and asbestos removal work, as well as during the project's development phase. A "model house" containing all the appropriate presentation media was opened to the public and provided information about the site's history and specific features of the project's architecture. Local residents and the town hall of the 1st *arrondissement* were fully involved in the information and consulting process, particularly with regard to how the project would impact the Rue Baillet, which is adjacent to the La Samaritaine building.

6. Suppliers and Social Entrepreneurship:

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

▶ See also CRITERION 2 in this COP 2018 ("4.1.3. External and internal actions to support suppliers").

- **Supporting SMEs, startups and entrepreneurs** [See "2017 Social Responsibility Report" (pp. 81-83)]

In this COP 2018:

▶ See CRITERION 15 ("Supporting SMEs, startups and entrepreneurs").

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. The Group has set up a large number of academic and creative collaboration processes with this exceptionally well-known educational institution. [See "2017 Social Responsibility Report" (pp. 24-26) and "2017 Environmental Report (pp. 20-21).]

2017.18

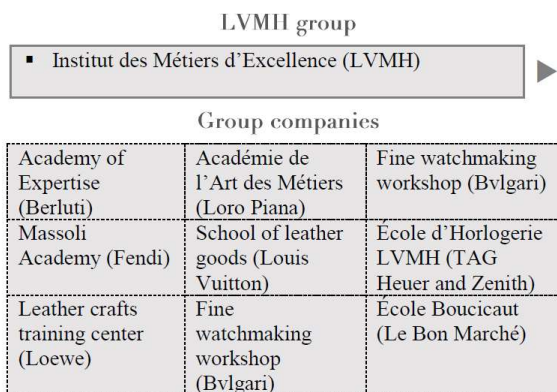
- In November 2016, the LVMH group sought to reinforce its ties with the younger generation by creating a new program, **Inside LVMH**. The aim of this program – shaped jointly by schools and universities, their students and LVMH – is to give the selected students and interns within the Group a better grasp of how the luxury industry works and how diverse the Group's businesses are. The program consists of a four-month immersion in the Group via a team project and access to video training content delivered by managers from 22 Group companies and professors appointed to LVMH Chairs. This video content covers the Group's five areas of expertise: creation and design; brand management; customer excellence; manufacturing and supply chain; and CSR/digital and entrepreneurship. The program's online platform was launched in December 2017 to allow students to enroll before the start of the program in January 2018. For this first year, the program is open to over 45 schools in six European countries. By taking part in the Inside LVMH program and immersing themselves in the Group, students also have the opportunity to become one of the 6,200 interns and recent graduates hired by Group companies every year.

- For many years, the Group has maintained special ties with schools and universities through more than 250 face-to-face events at these academic institutions to help students understand the Group's ecosystem. These initiatives are in keeping with the Group's strong commitment to students since 1991, covering its five areas of expertise, notably illustrated by 11 partnerships for the establishment of academic chairs. These partnerships include funding professors' research topics, delivering teaching to students, and paying school fees and the costs of research projects. They enable the Group – and specifically its companies – to develop

their reputations as preferred employers among students, and give them a window onto major career tracks and prospects. In January 2017, the **LVMH – Luxury Brand Management Chair at ESSEC** welcomed its 27th class of students.

- An important collaboration process was launched in 2017, namely the **“LVMH & Central Saint Martin’s Sustainability & Innovation in Luxury | Fostering Creativity”** program. The program aims to promote creativity, encourage young talent, and identify breakthrough solutions to support sustainable development and innovation in the luxury goods sector.
- The Maisons are extending this policy by forming their own partnerships, many of which have been signed in the academic field.
 - For example, Guerlain sponsors one of the top university management schools in France via the Master’s Degree in Innovation, Design, and Luxury Goods at **IAE Gustave-Eiffel**. The Maison has offered students the opportunity of working on the eco-designed Guerlain product of the future.
 - In Poland, Belvedere has been partnering the University of Lodz since 2008, which enables it to support the students’ education on environmental matters.
 - In March 2016, the LVMH group entered into a five-year partnership with Bocconi University in Milan. Key to this is the creation of a new academic chair dedicated to luxury and fashion management. Held by Bocconi faculty member Emanuela Prandelli, who has thus been named LVMH Associate Professor of Fashion and Luxury Management, the chair’s teaching and research activities include a focus on meeting the new challenges faced by luxury goods companies in the digital age.
 - See also many other specific partnerships and events developed by Group companies [📖 “2017 Social Responsibility Report” (pp. 25-26).]
 - See finally an exhaustive list of partnerships developed with a number of specialist schools and educational establishments [📖 “2017 Social Responsibility Report” (p. 20).]

The LVMH group and its companies’ main schools and training centers



Main partners of IME and Group companies in apprenticeships

- Haute École de Joaillerie de Paris (BJO Formation)
 - École Boulle / Greta CDMA
 - École de la Chambre Syndicale de la Couture
 - Compagnie du Devoir et du Tour de France
 - CFA Formasup Paris
 - Avize Viti Campus
 - EMA SUP Paris
 - FERRANDI Paris
 - Ecole d’Horlogerie LVMH
 - Sorbonne Nouvelle
 - Polimoda
 - FOR.AL

**Main partner training organizations, schools, universities and academic chairs
of the Group and its companies**

- Arts et Métiers ParisTech	- Icam
- Asian University for Women (AUW)	- IMD
- Università Bocconi	- INESCOP
- Corvinus University of Budapest	- Institut Français de la Mode
- Ca' Foscari University of Venice	- Istituto Marangoni
- Central Saint Martins – University of the Arts London	- ITS Tessile Abbigliamento e Moda
- Columbia University	- Les Roches International School of Hotel Management
- École Centrale Paris	- London Business School
- École Duperré	- LUISS (Rome)
- École Ferrières	- MINES ParisTech
- École Hôtelière de Lausanne	- NEOMA Business School
- École Internationale de Marketing de Luxe (EIML) Paris	- Paris Dauphine University
- École Internationale Tunon (Geneva)	- Parsons School of Design
- École Normale Supérieure (Paris)	- Raffles Design Institute Riyadh
- Politecnico di Milano	- Royal College of Art
- Politecnico di Torino	- Singapore Management University
- École Polytechnique Fédérale de Lausanne	- Università Cattolica del Sacro Cuore (Milan)
- Sant'Anna School of Advanced Studies	- University of Bologna
- EDHEC Business School	- Singapore Management University
- EM Lyon Business School	- University of St. Gallen
- EMA SUP	- Vienna University of Economics and Business
- ENSAM	- Florida International University
- ESCP Europe	- Università Iuav di Venezia
- ESSEC Business School	- University of Alabama
- Fudan University School of Management	- École 42
- Grenoble École de Management	- IAE Gustave Eiffel
- HEC Lausanne	- University of Miami
- HEC Paris	

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 also CRITERION 1 in this COP 2018:
- "1. Commitment and involvement at the highest level"
 - "2. Management and control of actions"

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 also CRITERION 1 in this COP 2018:
- "1. Commitment and involvement at the highest level"
 - "2. Management and control of actions"

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:**
- **Commitments and involvements linked to stakeholders are recognized at the highest level.**

- ▶ See also CRITERION 1 in this COP 2018:
- "1. Commitment and involvement at the highest level"
 - "2. Management and control of actions"

 See:

- "2017 Reference Document":
 - "1. Group Ethics and Code of conduct" (pp. 44-47)
 - "5. Social responsibility" (p. 87)
 - "1. General Environmental Policy" (pp. 101-102)

- “2017 Environmental Report” (pp. 19-23):
 - “Message from Bernard Arnault Chairman and Chief Executive Officer” (pp. 2-3)
 - “The framework for action” (pp. 10-17)
 - “3 questions to Antoine Arnault as CEO of Berluti and Chairman of Loro Piana” (pp. 26-27)
- “2017 Social Responsibility Report”:
 - “The LVMH Group’s international values and commitments” (pp. 9-11)
 - “CSR Issues and strategy” assessed with stakeholders (pp. 12-13)

- **The dialogue and partnerships with different categories of stakeholders from civil society:**

▶ See in this COP 2018 “Criterion 18: The COP describes partnerships and collective action” (pp.).

- 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:**

Throughout the year, LVMH fosters dialogue and relationships with its stakeholders.

- The Group **answers their questions and provides them with a range of information**, particularly concerning its social and environmental practices related to its activities. This dialogue is structured in very different ways depending on the circumstances. Relationships with stakeholders differ depending on the issues pertaining to the Group as a whole, its business groups, Group companies, and each geographic area.
- Each of LVMH’s business groups is unique, but they are all united by a shared view of their CSR responsibility, for which **key priorities have been drawn up and tested** over the past few years through dialogue **between the Group and its stakeholders**.
- The Group implements **verification audits and due diligence measures** among its stakeholders in order to help to identify, assess and anticipate the risks and opportunities for improvement, and thereby ensure more in- depth knowledge of its partners and suppliers. Conversely, external stakeholders, partners, auditors and the **various certifying bodies** (RJC, ISO 14001, etc.) help to reinforce the current system through their work and recommendations. **The dialogue and partnerships are foundational projects and tools for the CSR strategy.**

- **Employees** are made aware and kept informed of CSR issues via the Group’s media pages, its website, and its Voices intranet. Because CSR is a vital part of any manager’s job, all newly hired managers systematically receive training about ethical, social and environmental issues, its implementation and the role it plays, through their induction seminar and online induction session.

▶ See also CRITERION 18 (“The COP describes partnerships and collective action”).

📖 See:

- “2017 Environmental Report” (pp. 19-23):
 - professional exchanges
 - partnerships
 - support for fundamental research
 - (environmental) corporate sponsorship
 - external communications.
- “2017 Social Responsibility Report”:
 - “Structuring our approach” (pp. 14-16)
 - “Relationships with stakeholders” (pp. 17-21)
 - “4. Supporting local communities and regional development” (pp. 77-92)

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