

MANAGEMENT REPORT OF THE BOARD OF DIRECTORS: THE GROUP

Ethics and responsibility

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1. BACKGROUND

LVMH has always sought to:

- ensure that its practices reflect the highest standards of integrity, responsibility and respect for its partners;
- offer a working environment that allows its employees to fully express their talents and implement their skills and expertise;
- ensure that its Maisons define and adapt their production processes, habits and behaviors in order to continuously improve their response to the environmental challenges they face;
- participate in the regional development of the areas in which it operates through its activities;
- mobilize resources and skills to serve philanthropic initiatives and projects of general interest, and promote access to art and culture for as many people as possible.

As a responsible and committed stakeholder, the Group seeks to anticipate and meet the expectations of civil society in relation to corporate social and environmental responsibility, which include the following:

- greater transparency in supply management to ensure that every stakeholder in the value chain offers satisfactory living and working conditions and uses environmentally friendly production methods;

- a demand for integrity in business at a time of growing global emphasis on the obligation for major groups to detect and prevent economic crime;
- responding to environmental challenges in light, in particular, of urgent changes called for by climate change;
- taking into account changing career expectations and helping employees navigate, in particular, new unique career paths, technological changes and new demographics;
- sensitivity to the use of personal data, an issue of the highest relevance in safeguarding the fundamental right to privacy.

In recent years, a number of regulations in these areas applicable to businesses have been passed at the French and European levels. These include the law on parent companies' duty of care with regard to social and environmental issues, the "Sapin II" Act on the prevention of corruption, the European Directive on disclosure of non-financial information and measures to transpose it into domestic law, and Europe's General Data Protection Regulation.

To take into account stakeholders' expectations and regulatory developments, the Group has reconfigured the organization and presentation of information relating to corporate responsibility. Information about the Group's Vigilance Plan and Statement of Non-Financial Performance can be found in the cross-reference tables at the end of this Management Report.

2. STANDARDS

The LVMH group stays true to its uniqueness through a meticulous dedication to excellence. This dedication requires an unwavering commitment to the highest standards in terms of ethics, social responsibility and respect for the environment.

2.1 International instruments

The LVMH group was quick to demonstrate its desire to act as a responsible corporate citizen and align its operations and strategy to support various benchmark international texts, including the following:

- the United Nations Global Compact, to which the Group signed up in 2003, as well as the Caring for Climate initiative;
- the Universal Declaration of Human Rights;
- OECD Guidelines;
- the International Labor Organization's Fundamental Conventions;

In recent years, the Group has supported or signed up for a number of international standards, implementation of which it promotes within its sphere of influence, as well as putting in place its own internal standards.

- the 17 Sustainable Development Goals drawn up and developed by the United Nations;
- the Diversity Charter, signed by the Group in 2007;
- the United Nations Women's Empowerment Principles, signed by the Group in 2013;
- France's national biodiversity protection strategy;
- the Kimberley Process, an international system for certifying rough diamonds;
- the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES).

2.2 Internal standards

LVMH Code of Conduct

In 2009, LVMH drew up its first Code of Conduct, designed to serve as a common ethical foundation for the Group and its Maisons. In 2017, the Code was fine-tuned and updated to reflect changes in country-specific contexts, business lines and cultures.

The LVMH Code of Conduct outlines the rules to be followed by all employees as they go about their work, and promotes consistency and continuous improvement across all the Maisons.

It is based on the following six core principles:

- acting responsibly and with social awareness;
- offering a fulfilling work environment and valuing talent;
- commitment to protect the environment;
- winning the trust of customers;
- winning the confidence of shareholders;
- acting with and commitment to integrity in the conduct of business.

Supported by the members of the Executive Committee and Presidents of the Maisons, it promotes consistency and continuous improvement across the Group's various entities. It does not replace existing codes and charters within Maisons, but serves as a shared foundation and source of inspiration. Where appropriate, its policies are defined in greater detail by Maison according to its business sector or location. Furthermore, locally applicable codes and charters are implemented where this is appropriate in the light of local laws and regulations.

The Code has been translated into 10 languages and is widely disseminated across the Group. Supplementary tools have also been developed to help employees better understand and apply the principles set out in the Code, including an e-learning module and various communication materials.

Supplier Code of Conduct

In 2008, the Group implemented a Supplier Code of Conduct, which sets out its requirements for its partners in the fields of social responsibility, the environment and the fight against corruption. Like the LVMH Code of Conduct, the Supplier Code of Conduct was revised in 2017 to fine-tune and supplement the requirements set out in it.

The Supplier Code of Conduct has been disseminated across the Group's Maisons; all partners working with the Group are required to comply with the principles laid down in it.

This 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 states that suppliers to LVMH and its Maisons must take responsibility for work undertaken by their own subcontractors and suppliers, and make sure that they comply with the principles laid down in the Code and any other 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 by a supplier or subcontractor of one of its suppliers – LVMH or the Maison concerned reserve the right to end the commercial relationship, subject to the conditions provided by law and depending on the severity of the violations identified.

Environmental Charter

Adopted in 2001, the Environmental Charter is the founding document for LVMH's five main aims with regard to the environment:

- striving for high environmental performance standards;
- encouraging collective commitment;
- controlling environmental risks;
- designing products that factor in innovation and environmental creativity;
- making a commitment that goes beyond the Company.

It encourages the President of each Maison to demonstrate commitment to this approach through concrete actions.

The Charter was given a significant boost by the strategic LIFE (LVMH Initiatives for the Environment) program, launched in 2011, described in the "Environment and sustainability" section.

Recruitment Code of Conduct

The LVMH Recruitment Code of Conduct, implemented 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.

Charter on Working Relations with Fashion Models

In 2017, the Group drew up a Charter on Working Relations with Fashion Models in consultation with Kering and sector professionals motivated by a shared desire to promote dignity, health and well-being among fashion models.

The Charter, which applies to all Maisons worldwide, aims to bring about genuine change in the fashion world by rooting out certain behaviors and practices not in keeping with the Group's values and raising awareness among fashion models that they are full-fledged stakeholders in these changes.

To help spread the principles laid down in the Charter, the LVMH group and Kering have set up a dedicated website, wecareformodels.com. The site provides fashion models with best practice and advice from independent nutritionists and coaches.

3. GOVERNANCE

Dedicated governance arrangements are in place to ensure the Group's values and ethical standards are put into practice.

The Board of Directors' Ethics & Sustainable Development Committee – the majority of whose members are Independent Directors – ensures compliance with the individual and shared values on which the Group bases its actions. The Committee provides leadership on matters of ethics as well as environmental, workforce-related and social responsibility. The mapping of non-financial risks finalized at Group level in 2018 was notably submitted to it for review.

The Group's Executive Management coordinates the efforts of LVMH's Audit & Internal Control, Operations, Purchasing, Environment, Social Development, Ethics & Compliance and Financial Communications Departments, which work together to raise awareness and help the Maisons make progress – especially in the areas of risk management and supplier relations – with regard to environmental, social and integrity issues.

The Ethics & Compliance Department is led by the Group's Ethics & Compliance Director, who reports to the Group Managing Director. The department draws up behavioral standards and makes available various tools designed to help Group entities implement applicable regulations. It has its own budget and headcount and is also supported by representatives from various Group departments so as to promote coordination on cross-functional projects led by it.

Internal Competition Law Compliance Charter

In 2012, the Group formalized its commitment to uphold free and fair competition by adopting an Internal Competition Law Compliance Charter. The Charter aims to help develop a true culture of compliance with competition rules within the Group. This charter sets out the main rules that should be known by all employees in conducting commercial relationships on a day-to-day basis, and defines in a pragmatic way the standards of conduct expected of them. In particular, LVMH prohibits any abuse of dominant position, concerted practice or unlawful agreement, through understandings, projects, arrangements or behaviors which have been coordinated between competitors concerning prices, territories, market shares or customers. The Charter is available on the Ethics & Compliance Intranet.

Around this central function, a network of Ethics & Compliance Officers, designated by the President of each Maison, coordinate implementation of the compliance program within each Maison and help share best practice across the Group.

This governance structure is also supported by the following:

- the network of Social Responsibility correspondents at Maisons, who help organize the measures to be implemented and facilitate their application by the Maisons, who will then make the necessary adjustments in line with their own values, their environment, and the expectations of their employees and customers;
- the Environment Committee, which brings together a network of Environment Officers from the Maisons. This body provides a forum for reflection and discussion about major objectives (LIFE program), environmental challenges and opportunities;
- Responsible Purchasing seminars, which bring together all representatives from the Maisons responsible for purchasing, supply chains and supplier relations to review priority issues, launch new initiatives and share their views on best practice within the Group;
- the network of Internal Control Officers led by the Audit and Internal Control Department, which coordinates the implementation of internal control and risk management systems. These officers are responsible, within the Maisons, for ensuring compliance with the Group's internal control procedures and preparing controls tailored to their business.

4. RISK IDENTIFICATION

The Group's activities involve exposure to various risks that are the object of regular risk management and identification within the context of primarily regulatory reforms. The approach to identifying risks that the Group's business might generate for its stakeholders has been systematized through a comprehensive risk-mapping exercise covering the fight against corruption, respect for human rights and environmental protection, based on a shared methodology covering the whole Group.

The non-financial risk-mapping exercise was undertaken in 2018 with the assistance of global risk and strategic consulting firm Verisk Maplecroft, which specializes in analyzing political, economic, social and environmental risks.

It was based on an assessment comparing external benchmarking indicators provided by Verisk Maplecroft with qualitative and quantitative information provided internally by various Group entities, such as their level of activity, the amount of purchases by category, the number of production, logistics and retail sites, and the number of employees.

The exercise analyzed a wide variety of factors by geography and sector: corruption index, child labor, decent pay and working hours, workplace discrimination, freedom of association and trade union membership, health and safety, forced labor, air quality, waste management, water stress, water quality, deforestation, climate change, risk of drought, etc.

The resulting risk map separates out administration, production and distribution activities across these various risks, highlighting the severity of potential risks arising from the Group's own activities and those of its supply chain.

Based on an array of data – including this mapping work, feedback from the Maisons' networks of Ethics & Compliance, Social Responsibility and Environment correspondents, and an assessment of the impact and probability of occurrence of the various risks identified – the following have been classified by representatives of the Group's central functions and senior management as “key risks” in light of the Group's activities:

- impact on ecosystems and depletion of natural resources;
- setting up and maintaining responsible supply chains;
- safeguarding health and safety at work;
- loss of key skills and expertise;
- implementation of a policy of employee inclusion and fulfillment;
- shortcomings in the implementation of rules governing the protection of personal data;
- shortcomings in the implementation of business practice compliance arrangements.

5. RISK MANAGEMENT

In keeping with its aim of constantly improving its management of non-financial risks, the Group has set up a system for regularly monitoring risks relating to ethical, social and environmental responsibility.

Risk mapping details will be updated on a regular basis, and the system includes an assessment questionnaire filled out by each Maison, which is used to determine its current level of maturity in relation to risk management practices in the areas of anti-corruption, respect for human rights, and the protection of the environment, for each of the countries identified as particularly significant given the Company's level of risk exposure and the scale of its business activities there (revenue, amount of purchases, number of employees).

Based on the results of this questionnaire, the Maisons draw up and implement action plans that outline the initiatives to be taken in order to improve preventive measures for the identified risks and the next steps.

This information is taken into account in letters of representation concerning risk management and internal control arrangements under the “ERICA” approach, an overview of which can be found in the “Management of financial and operational risk and internal control” section.

Each year, the Ethics & Compliance Department reports to the Ethics & Sustainable Development Committee of the Board of Directors on the implementation of the Group's ethics and compliance policy.

The policies put in place to manage the key risks identified above, together with their results, where relevant, are set out in this section. Readers are referred to the “Attracting and retaining talent” and “Environment and sustainability” sections where applicable.

5.1 Comprehensive program to protect ecosystems and natural resources

Because its businesses celebrate nature at its purest and most beautiful, LVMH sees preserving the environment as a strategic imperative. The fact that this imperative is built into all the Group's activities constitutes an essential driver of its growth strategy, enabling it to respond to stakeholders' expectations and constantly stimulate innovation.

5.2 Supplier assessment and support

The LVMH group considers it very important that the Maisons and the Group's partners abide by a shared body of rules, practices and principles in relation to ethics, social responsibility and environmental protection. The complexity of global supply chains means there is a risk of exposure to practices that run counter to these rules and values.

The Group's responsible supply chain management approach therefore aims to motivate suppliers, and the ecosystems of which they are a part, to meet ethical, social and environmental requirements.

Supporting suppliers has long been a strategic focus for LVMH, with a view to maintaining sustainable relationships based on a shared desire for excellence. The Group pursues an overarching approach aimed at ensuring that its partners adopt practices that are environmentally friendly and respect human rights.

This approach is based on a combination of the following:

- identifying priority areas, informed in particular by the non-financial risk-mapping exercise covering the activities of the Group and its direct suppliers;
- site audits to check that the Group's requirements are met on the ground;
- supplier support and training;
- participating in cross-sector initiatives covering high-risk areas.

To a large extent, actions implemented address issues connected with both the environment and human rights.

Identifying priority areas

The non-financial risk-mapping exercise described under §4 helps determine which suppliers should be audited as a priority. It takes into account country risk, category risk and the amount of purchases in question.

In addition, in 2018 the Group stepped up its use of the EcoVadis platform, which also helps identify priority suppliers by assessing their ethical, social and environmental performance through the collection of documentary data and external intelligence. More than 500 suppliers to the Group have been invited to use the platform, which Sephora has joined in its own right, alongside the Group Purchasing Department, Louis Vuitton and the Perfumes and Cosmetics business group. The portfolio of Group suppliers that have been assessed have achieved scores

Built around nine key aspects of the Group's environmental performance, the global LIFE (LVMH Initiatives for the Environment) program provides a structure for this approach, from design through to product sale. It is presented in detail in the "Environment and sustainability" section.

higher than the EcoVadis average, notably on environmental and social aspects.

Assessment and corrective action plans

LVMH is unique in that it undertakes much of its own manufacturing in house, with subcontracting accounting for only a small proportion of the cost of sales. The Group is therefore able to directly ensure that working conditions are safe and human rights respected across a significant proportion of its production.

The Maisons apply reasonable due diligence measures and audit their suppliers – and, above Tier 1, their subcontractors – to ensure they meet the requirements laid down in the LVMH Supplier Code of Conduct.

Contracts entered into with suppliers with whom the Group maintains a direct relationship include a clause requiring them to disclose their subcontractors.

For some Maisons, the majority of audits are above Tier 1: at Fendi, for example, 60% of audits completed in 2018 were of subcontractors of direct suppliers.

Maisons maintain collaborative working relationships with direct suppliers, helping them conduct audits and draw up any corrective action plans that might be required.

The Group uses specialist independent firms to conduct these audits. In 2018, 1,092 audits (not including EcoVadis assessments) were undertaken at 877 suppliers and subcontractors; Maisons using the Sedex platform also had access to the findings of a further 37 audits. The majority of audits cover both workforce-related aspects (health and safety, forced labor, child labor, decent pay, working hours, discrimination, freedom of association and collective bargaining, the right to strike, etc.) and environmental aspects (environmental management system, water usage and pollution, gas emissions and air pollution, management of chemicals, waste management, types of raw materials used, etc.). Some cover workforce-related aspects only (30%) or environmental aspects only (13%).

The Maisons focus their efforts on follow-up audits (which accounted for 22% of audits completed in 2018) and pre-production audits of potential suppliers (in 2018, 13 potential commercial relationships were not pursued as a result of unsatisfactory audit findings).

	Europe	Asia	North America	Other
Breakdown of suppliers - all categories (as %)	65	14	14	7
Breakdown of audits (as %)	68	28	1	3

In 2018, some Maisons rolled out solutions for directly gathering opinion from suppliers' employees. For example, to improve its ability to assess human rights and satisfaction levels at supplier sites, Sephora US coordinated three surveys in China with Elevate, a responsible supply chain consulting firm, to directly gather comments from 91 employees via the WeChat platform.

In 2018, 20% of suppliers audited failed to meet the Group's requirements based on a four-tier performance scale that takes into account the number and severity of compliance failures observed; 4% were found to have critical compliance failures. In such cases, the Group always works with the supplier to draw up a corrective action plan, implementation of which is monitored by the buyer responsible for the relationship within the relevant Maison. Support from specialized external consultants is sometimes offered: this is always the case for Fendi, Loro Piana and Bvlgari's jewelry business.

When, in spite of the support offered by LVMH, a supplier or its subcontractors prove unwilling to make the effort required to meet the relevant requirements, the relationship is terminated. Nine such relationships were terminated in 2018, the vast majority of them with Tier 2 subcontractors, in agreement with the direct supplier.

Supplier and buyer training

In keeping with its aim of providing continuous support and fostering continuous improvement, the Group regularly offers its suppliers training opportunities. For example, in 2018:

- 200 Group suppliers took part in training on responsible cotton suppliers, in partnership with members of the Better Cotton Initiative;
- Bvlgari hosted a meeting with around 60 of its suppliers to discuss key issues and actions relating to social and environmental responsibility;
- targeted training was once again offered through the multi-party Sedex platform, of which LVMH is a member. In 2018, Marc Jacobs added a dedicated CSR training module offered to around 60 employees of its suppliers.

At the same time, the Group ensures that its buyers receive training in issues relating to responsible purchasing. For example, in 2018:

- five training sessions were made available to the Purchasing community on assessing environmental risk at supplier sites;
- the Perfumes and Cosmetics business group trained 15 buyers in how to effectively monitor corrective action plans;

- Louis Vuitton delivered dedicated training to buyers tasked with monitoring SA8000 certification audits and corrective action plans;
- over a hundred people took part in the annual Responsible Purchasing seminar in November by the Group Purchasing Department, in cooperation with the Environment Department. The seminar is an opportunity for attendees from different Maisons to share experience and best practice in relation to social and environmental responsibility.

Participation in multi-party initiatives covering high-risk areas

In addition to its actions aimed at direct suppliers, LVMH takes part in initiatives intended to improve visibility along supply chains and throughout subcontractor networks, to ensure that it can best assess and support all stakeholders.

Working groups have been put in place and targeted programs rolled out to address issues specific to each of the industry sectors in which the Group operates. To maximize efficiency and optimize influence over subcontractors' practices, preference is generally given to sector-specific initiatives covering multiple purchasing entities.

For Maisons in the Watches and Jewelry business group, the mining sector, which is highly fragmented and relies substantially on the informal economy, carries significant risks to human rights. As such, the Maisons have formally committed under the LIFE 2020 program to ensuring that all diamond and gold supplies are certified by the Responsible Jewellery Council (RJC). Alongside suppliers and other pioneering competitors, LVMH also participates in the Coloured Gemstones Working Group run by sustainable development consultancy The Dragonfly Initiative, aimed at optimizing oversight of supply arrangements for colored gemstones.

Maisons in the Perfumes and Cosmetics business group have signed up for the Responsible Beauty Initiative run by EcoVadis, working with major sector players to develop action plans in response to business-specific issues. Work to map Indian mica supply chains began in 2015, followed by a program of audits down to individual mine level. Over 80% of the supply chain has been covered to date. The business group is also involved in the Responsible Mica Initiative, which aims to pool sector stakeholders' resources to ensure acceptable working conditions in the sector by 2022. Lastly, the Maisons in the Perfumes and Cosmetics business group have exceeded their target of using at least 50% RSPO (Roundtable on Sustainable Palm Oil) certified palm oil derivatives by the end of 2018 (79% of certified derivatives, by weight).

For Maisons in the Fashion and Leather Goods business group, specific traceability requirements applicable to the leather and cotton sectors have been incorporated into the LIFE 2020 program. Leather traceability is taken into account via the score resulting from audits of the Leather Working Group standard. Meanwhile, 70% of cotton supplies must meet responsible criteria (such as the GOTS, Certified Recycled or BCI standards) by 2020.

5.3 Unrelenting focus on quality and safety

LVMH is continuously looking to offer products of the highest quality, through research and innovation and high standards in the selection of materials and the implementation of expertise in its activities. The Group is motivated by a constant desire to protect the health and safety of its stakeholders.

As regards its own employees, LVMH pursues a health, safety and well-being policy that is set out in the “Attracting and retaining talent” section.

As regards its suppliers’ employees, the assessment criteria used in workforce audits of suppliers at Tier 1 and above include aspects related to health and safety (see §5.2).

As regards its customers, the Group is particularly attentive to two key issues: prudent use of chemical compounds in production processes and promoting responsible consumption of wines and spirits.

Prudent use of chemical compounds in production processes

LVMH is committed to safeguarding against risks inherent in the use of chemical compounds, and complies with regulations, industry group recommendations and opinions issued by scientific committees in this field. The Group is constantly seeking to anticipate changes in this area, drawing on its employees’ expertise to produce only the safest products.

The Group’s experts regularly take part in working groups set up by domestic and European authorities and play a very active role within industry groups. Their ongoing monitoring of changes in scientific knowledge and regulations has regularly led LVMH to prohibit the use of certain substances and make efforts to reformulate some of its products.

The Group’s Maisons have customer relations departments that analyze customer complaints, including those relating to adverse effects.

The Perfumes and Cosmetics business group has a dedicated team of specialists who provide the Maisons with access to a European network of healthcare professionals able to quickly respond to help consumers experiencing side effects. Such post-market surveillance makes it possible to explore new avenues of research and constantly improve the quality and tolerance with respect to the Group’s products. The Maisons in this business group comply with the most stringent international safety laws, including the EU regulation on cosmetics. Their products must meet very strict internal requirements covering development, quality, traceability and safety.

For all Maisons, and more specifically those in the Selective Retailing, Wines and Spirits and Perfumes and Cosmetics business groups, particular attention is paid to purchases of packaging materials due to fragmentation of production processes in this sector.

Maisons in the Fashion and Leather Goods, and Watches and Jewelry business groups abide by the LVMH Restricted Substances List, an internal standard that prohibits or restricts the use of certain substances in products brought to market, as well as their use by suppliers. This standard, which notably applies to metal parts, goes beyond regulatory requirements and is regularly updated in response to ongoing monitoring of scientific developments. In 2018, more than 300 employees and around 100 suppliers received training in how to apply it.

To help suppliers eliminate the substances on this list, the Group’s Environment Department has produced specific technical guides suggesting alternatives. Training is regularly offered on this subject.

Another in-house tool, the LVMH Testing Program, reinforces the control system of Maisons in the Fashion and Leather Goods business group, allowing them to test the highest-risk substances for different materials at five partner laboratories.

Moët Hennessy: an ambassador for responsible consumption of wines and spirits

The LVMH group’s Maisons specializing in wines and spirits are committed to combating practices that encourage inappropriate drinking. For many years, Moët Hennessy has promoted 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 Maisons.

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 Maisons’ websites.

On the labels of all its wine and champagne bottles sold in the European Union (except in France for legal reasons), Moët Hennessy provides links to websites that provide consumers with information on responsible drinking, such as www.wineinmoderation.com for wines, www.responsibleddrinking.eu for spirits and www.drinkaware.co.uk in the United Kingdom. Links to these websites are also available on the websites of the Maisons in this business group.

Raising awareness also means educating consumers. For example, every year, Moët Hennessy’s teams teach hundreds of consumers the rituals for tasting its exceptional products.

Moët Hennessy continues to provide its employees with training on the importance of responsible drinking, notably through a new in-house mobile app, as well as running an internal communications campaign reminding employees that they are “all ambassadors for responsible drinking”.

In recognition of the fact that responsible drinking is something the whole sector should be concerned about, Moët Hennessy has developed and launched an entirely digital training program for students at partner hotel schools. The aim is to ensure that

5.4 Ongoing efforts to attract and support talent

The pursuit of LVMH’s strategy of growth, international expansion and digitalization relies on the Group’s ability to identify talented individuals with the skills it needs and attract them in a highly competitive environment. In particular, the highly specific and demanding nature of the luxury goods industry means the Group must recruit staff with outstanding craftsmanship. Promoting the Group’s business lines, passing on skills and

5.5 Constant focus on employee inclusion and fulfillment

LVMH is constantly seeking to create conditions that enable its employees to realize their full potential and succeed within the business. At a time of shifting career expectations, it is vitally important to foster employees’ aspirations and their fulfillment and to promote diversity.

5.6 Integrity in business

Any lapse in prevention and detection in its operations, or any practices contrary to applicable regulations, may bring serious harm to LVMH’s reputation, cause disruptions in its business activities, and expose the Group, if applicable, to administrative and judicial penalties of various kinds (fines, withdrawals of authorizations, legal actions brought against employees, etc.).

Due to their extraterritorial aspects, laws relating to the prevention of corruption and other forms of economic crime as well as policies regarding international sanctions are increasingly giving rise to enforcement actions and the announcement of judicial and financial penalties.

The Group’s senior executives may now be held personally liable for any breach of their obligation to put in place adequate prevention and detection measures, possibly even in the absence of any noted illicit activity.

Given the global reach of its business, LVMH has operations in many countries around the world, including some with a level of maturity in the adoption of ethical business practices deemed unsatisfactory by organizations producing popular indices that rank countries worldwide.

those who are likely to serve Moët Hennessy products will be familiar with and keen to pass on the principles of responsible drinking.

Lastly, Moët Hennessy continued to actively support responsible drinking programs around the world run by the industry associations it belongs to around the world. In particular, Moët Hennessy is one of three ambassador companies of Wine in Moderation, a non-profit that actively supports a wine culture based on a healthy and balanced lifestyle.

training the designers and craftspeople of the future are therefore key issues for LVMH.

This is why innovative recruitment initiatives, academic partnerships and professional education programs are key components of the Group’s human resources policy, detailed in the “Attracting and retaining talent” section.

This is why workplace well-being, career guidance, reducing gender inequality, promoting employment for people with disabilities and retaining older employees are all priorities within the Group’s human resources policy, detailed in the “Attracting and retaining talent” section.

Due to the nature of its business model, the Group does not enter into any significant contracts with governments. Consequently, it is not exposed to the corruption risks associated with public procurement procedures.

However, the Group’s business activities involve contacts with government agencies, for the granting of various authorizations and permits. Similarly, out of a willingness to discuss and cooperate with authorities and decision-makers, LVMH contributes to public debate in countries where to do so is authorized and relevant. The Group’s contributions in the public space always abide by the laws and regulations applicable to the institutions and organizations in question, and LVMH is registered with interest representatives where its activities so require.

Furthermore, the Group may be exposed, in the same way as any other private company, to the risk of corruption in its dealings with private business partners.

Given the diversity of the LVMH ecosystem and its decentralized organizational model, Maisons have developed their own policies adapted to their specific business contexts. At a central level, the Ethics & Compliance Department develops and coordinates the rollout of cross-departmental initiatives to strengthen compliance programs already in place within the Group and ensure their consistency.

Communications, awareness and training efforts aiming to improve employee vigilance are implemented. Common rules, procedures and tools are also in place to facilitate day-to-day detection and prevention of prohibited conduct by operational staff.

Communications, awareness and training

Serving as the central information resource for the Group's ethics and compliance policy, the LVMH Ethics & Compliance Intranet provides access for all employees to a set of documents, tools and information relating to business ethics. Maisons with their own intranets refer their users to this central resource.

Specific information is provided by the relevant human resources departments to newly hired employees concerning the Code of Conduct and the whistleblowing system. An online training tool, available to all employees on the Ethics & Compliance Intranet, is designed to help them understand and better assimilate the rules, practices and values presented in the LVMH Code of Conduct. In 2018, this module was translated into around ten languages to make it available to a wider audience.

Awareness initiatives are coordinated by the Ethics & Compliance Department, in the context of seminars organized by the Group in various regions. In 2018, presentations along these lines took place in the United States, across Europe, and in China (for the Asia region), particularly for staff working in the Internal Control and Purchasing Departments, who are key actors in the Ethics & Compliance program.

The Group has also developed a specific anti-corruption online training module, which is available to all Maisons and serves as a common core that supplements existing training materials. This module is mandatory for all staff identified as particularly exposed to corruption risk and its results are regularly assessed.

Rules, procedures and tools

In addition to the LVMH Code of Conduct, the Group has internal guiding principles – a set of documents that apply to all entities intended to be used as a reference guide to help employees adopt appropriate behaviors in various areas to do with business ethics. In particular, these principles cover the following:

- preventing corruption and influence peddling, including basic definitions of these concepts and information about how to identify various suspicious behaviors against which staff should be on their guard;
- mandatory rules on gifts and entertainment;
- preventing money laundering, including information on cash payment limits and formalities for reporting large payments;

- rules for preventing, reporting and resolving conflicts of interest; in this regard, an annual conflict of interest reporting campaign is undertaken within the governing bodies of the Group and the Maisons;
- use of assets belonging to the Group and the Maisons, including the fact that such assets are made available only for a temporary period and the requirement that they be used in a professional and conscientious manner;
- loans of clothes and accessories by Maisons to employees or individuals outside the Group;
- Group policy on travel and security, which includes rules on authorization of travel and payment of travel expenses.

LVMH's internal control framework was revised in 2018, notably to incorporate new or more stringent ethical and compliance requirements and to ensure that the Group's various entities meet those requirements.

In addition to the usual existing communication and warning channels within the Group and Maisons, LVMH has set up a centralized whistleblowing system, available in around ten languages, to collect and process reports from all employees concerning infringements or serious risks of infringement of laws, regulations, the provisions of the LVMH Code of Conduct and other principles, guidelines and internal policies.

The system covers the following behaviors:

- corruption and influence peddling;
- money laundering, fraud and falsification of accounting records;
- embezzlement;
- anti-competitive practices;
- data protection breaches;
- discrimination, harassment, violence and threatening behavior;
- infringements of social standards and labor law, illegal employment;
- infringements of occupational health and safety regulations, violation of environmental protection laws;
- practices contrary to ethical principles.

Alerts handled through dedicated whistleblowing systems help improve risk identification procedures, as part of a continuous improvement approach.

If employees fail to abide by rules laid down in the Code of Conduct, the guiding principles or, more generally, the Internal Rules (or equivalent document) of their employing Maison, the Group will take appropriate and timely steps to put an end to the infringement in question, including appropriate disciplinary sanctions proportionate to the severity of the infringement, in accordance with the provisions of the Internal Rules (or equivalent document) and applicable laws and regulations.

5.7 Responsible management of personal data

Given the acute sensitivity of civil society with regard to security and use of personal data, the tightening of rules and the greater severity of penalties, as well as the fragmentation of laws and their increasing complexity, it is essential to ensure adequate governance.

In an era of innovation for the Group, which is moving ahead with an ambitious digital strategy, resolutely focused on its customers and their aspirations, LVMH must offer services that guarantee perfect compliance. This means building and promoting a personal data protection culture that permeates all the Group's business lines and activities as well as taking into account the resulting technical and methodological developments.

To ensure a consistent, effective approach, a data protection policy is proposed to all Maisons in order to provide them with a common framework of rules and recommendations, helping ensure that appropriate measures are taken suitable to protect personal data within the LVMH group worldwide, in compliance with applicable regulations.

This policy defines a Group compliance program on the protection of personal data, aimed at putting in place clear and transparent governance arrangements to manage issues concerning data protection, together with a range of common directives, bodies and processes. It notably draws on internal rules concerning the requirement for information systems that handle personal data to be compliant from the design stage onwards, the principles laid down in the General Data Protection Regulation and recommendations issued by various national data protection authorities.

This policy aims, in particular, to promote a consistent and stringent approach to protecting the privacy of the Group's customers. In this regard, LVMH and its Maisons do not sell their customers' personal data and only communicate with their customers in strict compliance with applicable rules.

A community to exchange ideas and share experiences, bringing together the Data Protection Officers at all Maisons, has been formed in order to address common problems and define concerted approaches for the Group's business lines.

6. INDEPENDENT VERIFIER'S REPORT ON THE CONSOLIDATED STATEMENT OF NON-FINANCIAL PERFORMANCE INCLUDED IN THE MANAGEMENT REPORT

Dear Shareholders,

In our capacity as an Independent Verifier accredited by COFRAC (Accreditation No. 3-1050; scope of accreditation available at www.cofrac.fr) and belonging to the network of a Statutory Auditor of LVMH Moët Hennessy - Louis Vuitton SE (hereinafter "entity"), we hereby present our report on the consolidated statement of non-financial performance for the fiscal year ended December 31, 2018 (hereinafter "Statement"), as set out in the Management Report pursuant to the legal and regulatory provisions laid down in Articles L.225-102-1, R.225-105 and R.225-105-1 of the French Commercial Code.

Responsibility of the entity

It is the Board of Directors' responsibility to prepare a Statement compliant with legal and regulatory requirements, including an overview of the business model, a description of key non-financial risks and an overview of the policies adopted in light of those risks, together with the results of those policies, including key performance indicators.

The Statement was prepared by applying the entity's procedures (hereinafter "Framework"), the significant components of which are set out in the Statement and are available on request from the Group's Environment and Human Resources Departments.

Independence and quality control

Our independence is defined by the provisions of Article L.822-11-3 of the French Commercial Code and the Code of Ethics of our profession. In addition, we have implemented a quality control system, including documented policies and procedures designed to ensure compliance with ethical standards, professional guidelines and applicable laws and regulations.

Responsibility of the Independent Verifier

It is our responsibility, on the basis of our work, to express a reasoned opinion reflecting a limited assurance conclusion that:

- the Statement complies with the requirements laid down in Article R.225-105 of the French Commercial Code;
- the information provided is fairly presented in accordance with Point 3 of Sections I and II of Article R.225-105 of the French Commercial Code, namely the results of policies, including key performance indicators, and actions in relation to key risks, hereinafter "Information".

It is also our responsibility to express, at the entity's request and outside the scope of our accreditation, a conclusion of reasonable assurance that the environmental information selected by the entity and identified by an asterisk (✓) in Appendix 1 (hereinafter "Selected Environmental Information") was prepared, in all material respects, in accordance with the Framework.

It is not our responsibility, however, to express an opinion on:

- whether the entity complies with other applicable legal and regulatory provisions, notably concerning the vigilance plan and the prevention of corruption and tax evasion;
- whether products and services comply with applicable regulations.

1. Reasoned opinion on the compliance and fair presentation of the Statement

Nature and scope of work

The work described below was carried out in accordance with the provisions of Articles A.225-1 *et seq.* of the French Commercial Code determining the terms under which Independent Verifiers perform their duties and in keeping with industry guidelines as well as the ISAE 3000 international standard, “Assurance engagements other than audits or reviews of historical financial information.”

Our work enabled us to assess the Statement’s compliance with regulatory provisions and the fair presentation of the Information:

- We familiarized ourselves with the business of all companies falling within the scope of consolidation, the key workforce-related and environmental risks associated with that business and, where applicable, its impact with regard to human rights and the prevention of corruption and tax evasion, as well as the resulting policies and their results.
- We assessed the suitability of the Guidelines in terms of their relevance, completeness, reliability, objectivity and comprehensible nature, taking the sector’s best practices into consideration, where applicable.
- We checked that the Statement covers each category of information laid down in Section III of Article L.225-102-1 of the French Commercial Code on workforce-related and environmental issues, as well as compliance with human rights and the prevention of corruption and tax evasion.
- We checked that the Statement includes an explanation of the reasons for the absence of information required by Section III, Paragraph 2 of Article L.225-102-1 of the French Commercial Code.
- We checked that the Statement provides an overview of the business model and key risks associated with the business of all entities falling within the scope of consolidation, including, where relevant and proportionate, risks arising from business relationships, products and services as well as policies, actions and results, including key performance indicators.
- We checked, where relevant to the key risks and policies presented, that the Statement presents the information laid down in Section II of Article R.225-105 of the French Commercial Code.
- We assessed the process used to select and validate the key risks.
- We asked about the internal control and risk management procedures put in place by the entity.
- We assessed the consistency of results and key performance indicators in light of the key risks and policies presented.
- We checked that the Statement covers the scope of the consolidated Group, i.e. all companies falling within the scope of consolidation in accordance with Article L.233-16 of the French Commercial Code, within the limits set out in the Statement.
- We assessed the collection process put in place by the entity aimed at ensuring that the Information is complete and fairly presented.
- For key performance indicators and those other quantitative results we considered the most significant, set out in Appendix 1, we carried out the following:
 - analytical procedures that consisted in checking that all data collected had been properly consolidated, and that trends in that data were consistent;
 - detailed, sample-based tests that consisted in checking that definitions and procedures had been properly applied and reconciling data with supporting documents. This work was carried out on a selection of contributing entities listed below:
 - environmental information: Wines and Spirits: MHCS (France), Glenmorangie (Tain, Scotland), Chandon Argentina (Argentina), Belvedere (Poland), Chandon India (India); Perfumes and Cosmetics: Parfums Christian Dior (Saint-Jean-de-Braye, France), Guerlain (Orphin, France), LVMH Fragrance Brands (Vervins, France); Fashion and Leather Goods: Louis Vuitton Malletier (headquarters and manufacturing sites), Loro Piana (Quarona, Italy), Rimowa (Cologne, Germany), Christian Dior Couture (stores in France); Watches and Jewelry: Bulgari (Rome, Italy), Artecad (Switzerland), Tag Heuer (La Chaux-de-Fonds, Switzerland); Selective Retailing: Sephora Europe/Middle East/Asia (France); DFS (stores in Singapore and Hong Kong); Other activities: Royal Van Lent (Netherlands),
 - workforce-related information: Wines and Spirits: MHCS (France); Perfumes and Cosmetics: LVMH Fragrance Brands (France); Fashion and Leather Goods: Société Louis Vuitton Services (France), Givenchy (France); Watches and Jewelry: Bulgari SpA, Bulgari Italia SpA, Bulgari Accessori Srl (Rome, Italy); Selective Retailing: Le Bon Marché (France), Sephora USA Inc.; Other activities: Royal Van Lent (Netherlands),

- social information: Wines and Spirits: MHCS (France); Perfumes and Cosmetics: Parfums Christian Dior (France); Fashion and Leather Goods: Louis Vuitton Malletier (France); Watches and Jewelry: Bulgari (Rome, Italy),
- the selected entities cover between 11% and 86% of the consolidated data selected for these tests (17% of the workforce; 54% of energy-related greenhouse gas emissions; 58% of leather supplied by LWG-certified tanneries);
- We consulted source documents and conducted interviews to corroborate what we considered the most important qualitative information (actions and results) set out in Appendix 1.
- We assessed the Statement's overall consistency with our knowledge of all the companies falling within the scope of consolidation.
- We consider that the work we performed using our professional judgment allow us to formulate a limited assurance conclusion; an assurance of a higher level would have required more extensive verification work.

Means and resources

Our work was undertaken by a team of nine people between September 2018 and February 2019, for a period of approximately fourteen weeks.

We conducted around ten interviews with those responsible for preparing the Statement, notably representing Executive Management and the Administration and Finance, Risk Management, Ethics and Compliance, Human Resources, Environment and Purchasing Departments.

Conclusion

On the basis of our work, we found no material misstatements that might have led us to believe that the statement of non-financial performance is not compliant with applicable regulatory requirements or that the Information, taken as a whole, is not fairly presented, in accordance with the Framework.

2. Reasonable assurance report on the Selected Information

Nature and scope of work

Concerning the Selected Information identified by an asterisk (✓) in Appendix 1, we carried out the same type of work as set out in Section 1 above for what we considered the most important key performance indicators and other quantitative results, though in greater depth, particularly as regards the extent of tests.

The sample selected represents on average 51% of the Selected Environmental Information.

We consider that this work allows us to express a reasonable assurance conclusion on the Selected Information.

Conclusion

In our opinion, the Selected Information provided by the entity has been established, in all material aspects, in compliance with the Guidelines.

Paris-La Défense, February 7, 2019

The Independent Verifier

ERNST & YOUNG et Associés

Éric Duvaud

Sustainable Development Partner

Jean-François Bélorgey

Partner

Appendix 1: Information considered the most important

Workforce-related information

Quantitative information (including key performance indicators)

- Breakdown of the workforce as of December 31 by gender and professional category
- Recruitment onto permanent contracts from January 1 to December 31 (breakdown by gender)
- Turnover among employees on permanent contracts from January 1 to December 31 (breakdown by reason)
- Proportion of employees on permanent contracts trained, by professional category
- Number of days' training for employees on permanent contracts
- Absence rate by reason for absence
- Workplace accident frequency rate
- Workplace accident severity rate

Qualitative information (actions and results)

- Attracting and training students and recent graduates
- Preventing discrimination during the recruitment process
- Training and support for employees throughout their careers
- Workplace health and safety

Environmental information

Quantitative information (including key performance indicators)

- Proportion of manufacturing sites certified ISO 14001 (%) ✓
- Total energy consumption (MWh) ✓
- Energy-related greenhouse gas emissions (metric tons of CO₂ equivalent) ✓
- Total water consumption for process requirements (m³) ✓
- Chemical Oxygen Demand after treatment (metric tons/year) ✓
- Total waste produced (metric tons) ✓
- Total hazardous waste produced (metric tons) ✓
- Waste recovery rate (%) ✓
- Total packaging that reaches customers (metric tons) ✓
- Environmental Performance Index for packaging (value)
- Proportion of grapes (in kg), whether from the Company's own vineyards or bought in, produced under a sustainable winegrowing certification (%)
- Proportion of palm oil derivatives (in kg) certified RSPO Mass Balance or Segregated (%)
- Proportion of leather (in m²) sourced from LWG-certified tanneries (%)
- Proportion of gold purchases (in kg) certified RJC CoP or CoC
- Proportion of diamond purchases (in carats) certified RJC CoP
- Proportion of cotton purchases (in metric tons) certified BCI (%)
- Greenhouse gas emissions avoided per year by projects under the banner of the Carbon Fund (metric tons of CO₂ equivalent avoided)

Qualitative information (actions and results)

- Organization of the environmental approach, particularly governance and commitments, including the LIFE program
- Environmental impact of packaging and monitoring of the LIFE "Products" target
- Environmental standards applied to the supply chain and monitoring of the LIFE "Sourcing" targets
- Combating climate change and monitoring the LIFE "Climate change" target
- Environmental management of sites and monitoring of the LIFE "Site" targets

Social information**Quantitative information (including key performance indicators)**

- Number of supplier and subcontractor audits carried out
- Proportion of grape supplies (in kg), whether from the Company's own vineyards or bought in, produced under a sustainable winegrowing certification (%)
- Proportion of palm oil derivative supplies (in kg) certified RSPO Mass Balance or Segregated (%)
- Proportion of leather supplies (in m²) sourced from LWG-certified tanneries (%)
- Proportion of gold supplies (in kg) certified RJC CoP or CoC
- Proportion of diamond supplies (in carats) certified RJC CoP
- Proportion of cotton supplies (in metric tons) certified BCI (%)

Qualitative information (actions and results)

- Implementation of the Charter on Working Relations with Fashion Models and Their Well-Being
 - Supplier assessment and support
 - Management of personal data
 - Business conduct and ethics
-

This is a free translation into English of the Independent Verifier's report issued in French and is provided solely for the convenience of English-speaking users. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

7. CROSS-REFERENCE TABLES

7.1 Statement of non-financial performance

Like any other economic actor, the LVMH group is exposed to a number of non-financial risks that may affect its performance, cause harm to its reputation, and impact its stakeholders and/or the environment. The following risks have been classified by representatives of the Group's central functions and senior management as "key risks" in light of the Group's activities (see §3 of the "Ethics and responsibility" section):

- impact on ecosystems and depletion of natural resources;
- setting up and maintaining responsible supply chains;
- safeguarding health and safety at work;
- loss of key skills and expertise;
- implementation of a policy of employee inclusion and fulfillment;
- shortcomings in the implementation of rules governing the protection of personal data;
- shortcomings in the implementation of business practice compliance arrangements.

LVMH is committed to addressing each of these risks by putting the appropriate policies in place. The cross-reference tables below provide a summary presentation of the information constituting the Group's statement of non-financial performance, as required by Article L.225-102-1 of the French Commercial Code, indicating for each item the location in the *Management Report of the Board of Directors* where further details may be found. They include cross-references to the specific disclosures required by this article with regard to respect for human rights and measures to combat corruption, climate change, and discrimination.

The remaining disclosures required by this article may be found in the following locations:

- with regard to the Group's business model, in the sections entitled "LVMH's business model" and "Business overview, highlights and outlook" in the introduction to this report;
- with regard to the presentation of the workforce for each business group and geographic region, in §1.3 of the "Attracting and retaining talent" section;
- with regard to collective bargaining agreements signed at the level of companies across the Group, in §3.2 of the "Attracting and retaining talent" section;
- with regard to efforts to promote the circular economy, in §1.2.2 and §5.4 of the "Environment and sustainability" section;
- with regard to combating food waste, in §5.4.2 of the "Environment and sustainability" section;
- with regard to social commitments to promote sustainable development, apart from the topics covered by the cross-reference tables below in terms of social consequences, respect for human rights and the environment, in §1 and §2 of the "Corporate philanthropy" section;
- with regard to protecting animal welfare, in §3.1 and §3.3 of the "Environment and sustainability" section;
- with regard to the fight against tax evasion, in §1.2.1 of the "Management of financial, operational and internal control risks" section.

Lastly, given the nature of the Group's business activities, topics relating to the fight against food insecurity or efforts to promote responsible and sustainable food production as well as fair food systems are not discussed in this report.

7.1.1 Social consequences

Risk	Policies	Results
Loss of key skills and expertise	<ul style="list-style-type: none"> - Academic partnerships (§2.2 of the “Attracting and retaining talent” section) - Institut des Métiers d’Excellence (§2.2 of the “Attracting and retaining talent” section) - Training and support for employees throughout their careers (§3.1 of the “Attracting and retaining talent” section) - EXCELLhanCE initiative to promote training and employment for people with disabilities (§2.3 of the “Attracting and retaining talent” section) - Support for high-potential female employees to help them move into key positions (§3.1 of the “Attracting and retaining talent” section) 	<ul style="list-style-type: none"> - Joiners by business group and geographic region (§2.1 of the “Attracting and retaining talent” section) - Investment in training (§3.1 of the “Attracting and retaining talent” section) - Internal mobility data (§2.1 of the “Attracting and retaining talent” section) - Awards, recognition and rankings obtained as an employer (§2.1 of the “Attracting and retaining talent” section)
Health and safety issues faced in the Group’s business activities	<ul style="list-style-type: none"> - LVMH Code of Conduct (§2.2 of the “Ethics and responsibility” section) - Whistleblowing system (§5.6 of the “Ethics and responsibility” section) - Charter on Working Relations with Fashion Models (§2.2 of the “Ethics and responsibility” section) - Investments in health, safety and security (§3.2 of the “Attracting and retaining talent” section) - Staff training in health, safety and security (§3.2 of the “Attracting and retaining talent” section) - Social audits of suppliers and subcontractors including a health and safety dimension (§5.2 of the “Ethics and responsibility” section) - Measures relating to the use of chemicals and cosmetovigilance (§5.3 of the “Ethics and responsibility” section) - Promoting responsible consumption of wines and spirits (§5.3 of the “Ethics and responsibility” section) 	<ul style="list-style-type: none"> - Breakdown, frequency and severity of work-related accidents (§3.2 of the “Attracting and retaining talent” section) - Data relating to social audits that include a health and safety dimension (§5.2 of the “Ethics and responsibility” section) - Training sessions for employees and suppliers focusing on the LVMH Restricted Substances List (§5.3 of the “Ethics and responsibility” section)
Implementation of a policy of employee inclusion and fulfillment	<ul style="list-style-type: none"> - LVMH Code of Conduct (§2.2 of the “Ethics and responsibility” section) - Whistleblowing system (§5.6 of the “Ethics and responsibility” section) - LVMH Talent platform (§3.1 of the “Attracting and retaining talent” section) - DARE program (§3.1 of the “Attracting and retaining talent” section) - Employee induction seminars (§3.1 of the “Attracting and retaining talent” section) - Manager training (§3.1 of the “Attracting and retaining talent” section) - Group Works Council and European Companies’ Committee (§3.2 of the “Attracting and retaining talent” section) 	<ul style="list-style-type: none"> - Number of managers having received specific training (§3.1 of the “Attracting and retaining talent” section) - Number of employees having completed induction seminars (§3.1 of the “Attracting and retaining talent” section) - Number of employees having completed performance and career reviews in 2018 (§3.1 of the “Attracting and retaining talent” section) - Number of meetings held by employee representative bodies in 2018 (§3.2 of the “Attracting and retaining talent” section)

7.1.2 Respect for human rights

Risk	Policies	Results
Setting up and maintaining responsible supply chains (aspects relating to respect for human rights)	<ul style="list-style-type: none"> - LVMH Code of Conduct (§2.2 of the “Ethics and responsibility” section) - Supplier Code of Conduct (§2.2 of the “Ethics and responsibility” section) - Charter on Working Relations with Fashion Models (§2.2 of the “Ethics and responsibility” section) - Whistleblowing system (§5.6 of the “Ethics and responsibility” section) - Risk mapping (§4 of the “Ethics and responsibility” section) - Social audits of suppliers and subcontractors (§5.2 of the “Ethics and responsibility” section) - Collection of information on suppliers’ social and ethical performance via the EcoVadis platform (§5.2 of the “Ethics and responsibility” section) - Participation in multi-party initiatives covering suppliers in higher risk categories (§5.2 of the “Ethics and responsibility” section) 	<ul style="list-style-type: none"> - Breakdown of suppliers and audits (§5.2 of the “Ethics and responsibility” section) - Data on combined audits and audits examining only social aspects carried out at suppliers (§5.2 of the “Ethics and responsibility” section) - Data on follow-up audits (§5.2 of the “Ethics and responsibility” section) - Proportion of suppliers not meeting the Group’s standards (§5.2 of the “Ethics and responsibility” section) - Number of terminated contracts following audits (§5.2 of the “Ethics and responsibility” section) - Number of business relationships not initiated following audits (§5.2 of the “Ethics and responsibility” section)
Implementation of a policy of employee inclusion and fulfillment (aspects relating to the fight against discrimination and the promotion of diversity)	<ul style="list-style-type: none"> - LVMH Code of Conduct (§2.2 of the “Ethics and responsibility” section) - Whistleblowing system (§5.6 of the “Ethics and responsibility” section) - Recruitment Code of Conduct (§2.2 of the “Ethics and responsibility” section) - Specific training for recruiters (§2.3 of the “Attracting and retaining talent” section) - Independent controls on recruitment practices (§2.3 of the “Attracting and retaining talent” section) - EXCELLhanCE initiative to promote training and employment for people with disabilities (§2.3 of the “Attracting and retaining talent” section) - Support for high-potential female employees to help them move into key positions (§3.1 of the “Attracting and retaining talent” section) 	<ul style="list-style-type: none"> - Proportion of employees with disabilities (§2.3 of the “Attracting and retaining talent” section) - Proportion of women in key positions (§3.1 of the “Attracting and retaining talent” section) - Number of beneficiaries of the coaching program for high-potential female employees (§3.1 of the “Attracting and retaining talent” section) - Proportion of female employees among joiners and in the Group’s active workforce (§3.1 of the “Attracting and retaining talent” section) - Number of beneficiaries of the EXCELLhanCE initiative (§2.3 of the “Attracting and retaining talent” section)
Shortcomings in the implementation of rules governing the protection of personal data	<ul style="list-style-type: none"> - LVMH Code of Conduct (§2.2 of the “Ethics and responsibility” section) - Data protection policy (§5.7 of the “Ethics and responsibility” section) 	<ul style="list-style-type: none"> - Creation of a network of data protection officers (§5.7 of the “Ethics and responsibility” section)

7.1.3 Environmental consequences

Risk	Policies	Results
<p>Business impacts on ecosystems and depletion of natural resources (including aspects relating to the fight against climate change)</p>	<ul style="list-style-type: none"> - LVMH Environmental Charter (§1.1 of the “Environment and sustainability” section) - LIFE program and LIFE 2020 targets (§1.1 and §1.2 of the “Environment and sustainability” section) - Measures to address climate change and the LVMH Carbon Fund (§4 of the “Environment and sustainability” section) 	<ul style="list-style-type: none"> - Improvement in the environmental performance indices of product packaging for Wines and Spirits companies and Perfumes and Cosmetics companies (§2.3 of the “Environment and sustainability” section) - Accelerated and expanded rollout of sustainable and organic winegrowing (§3.6 of the “Environment and sustainability” section) - Certification of materials used in products: leather, cotton, fur, palm oil derivatives, diamonds and precious metals (§3.6 of the “Environment and sustainability” section) - Achievement of targets set by the LVMH Carbon Fund (§4.2 of the “Environment and sustainability” section) - Increase in the proportion of renewable energy in the Group’s energy mix (§4.5 of the “Environment and sustainability” section) - Implementation of environmental management systems at manufacturing sites (§5.5 of the “Environment and sustainability” section)
<p>Setting up and maintaining responsible supply chains (environmental aspects)</p>	<ul style="list-style-type: none"> - LVMH Code of Conduct (§2.2 of the “Ethics and responsibility” section) - Supplier Code of Conduct (§2.2 of the “Ethics and responsibility” section) - LVMH Environmental Charter (§1.1 of the “Environment and sustainability” section) - LIFE program and LIFE 2020 targets (§1.1 and §1.2 of the “Environment and sustainability” section) - Whistleblowing system (§5.6 of the “Ethics and responsibility” section) - Risk mapping (§1.2 of the “Ethics and responsibility” section) - Collection of information on suppliers’ environmental performance via the EcoVadis platform (§5.2 of the “Ethics and responsibility” section) - Participation in multi-party initiatives covering suppliers in higher risk categories (§3 of the “Environment and sustainability” section) 	<ul style="list-style-type: none"> - Data on environmental audits carried out at suppliers, both combined audits and audits examining only environmental aspects (§5.2 of the “Ethics and responsibility” section) - LIFE 2020 targets for sourcing, particularly relating to supply chains for grapes, leather, skins and pelts, gemstones and precious metals, palm oil derivatives and regulated chemicals (§3 of the “Environment and sustainability” section)

7.1.4 Fight against corruption

Risk	Policies	Results
Shortcomings in the implementation of business practice compliance arrangements	<ul style="list-style-type: none"> - LVMH Code of Conduct (§2.2 of the "Ethics and responsibility" section) - Supplier Code of Conduct (§2.2 of the "Ethics and responsibility" section) - Whistleblowing system (§5.6 of the "Ethics and responsibility" section) - LVMH Ethics and Compliance Intranet site (§5.6 of the "Ethics and responsibility" section) - Risk mapping (§4 of the "Ethics and responsibility" section) - Role of the Ethics and Compliance Department (§3 and §5.6 of the "Ethics and responsibility" section) - Internal guiding principles (§5.6 of the "Ethics and responsibility" section) - Anti-corruption training (§5.6 of the "Ethics and responsibility" section) - Compliance rules included in the internal audit and control framework (§5.6 of the "Ethics and responsibility" section) 	<ul style="list-style-type: none"> - No cases of corruption or influence peddling noted during the fiscal year - Since the Group's whistleblowing system was officially introduced in the first half of 2018, no instances of alleged corruption or influence peddling have been reported

7.2 Vigilance plan

As a responsible, actively engaged corporate citizen on a global scale, the LVMH group strives to exert a positive influence on the communities, regions and countries where it operates and to minimize the potential adverse impacts of its activities, as well as those of its suppliers and subcontractors, for its stakeholders and the environment.

The cross-reference tables below provide a summary presentation of the information constituting the Group's vigilance plan, as required by Article L.225-102-4 of the French Commercial Code, indicating for each item the sections within the Management Report of the Board of Directors where further details may be found.

7.2.1 Human rights and fundamental freedoms

	Group's own operations	Suppliers and subcontractors' activities
Risk mapping	<ul style="list-style-type: none"> - Risk mapping by the Group (§4 of the "Ethics and responsibility" section) 	<ul style="list-style-type: none"> - Risk mapping by the Group (§4 of the "Ethics and responsibility" section) - Supplemental assessment of risk exposures for certain suppliers via the EcoVadis platform (§5.2 of the "Ethics and responsibility" section)
Frequent risk assessments	<ul style="list-style-type: none"> - Internal audit and control framework (§3.2 of the "Management of financial, operational and internal control risks" section) 	<ul style="list-style-type: none"> - Audits and follow-up audits (§5.2 of the "Ethics and responsibility" section) - Corrective action plans following audits (§5.2 of the "Ethics and responsibility" section)
Mitigation and prevention measures	<ul style="list-style-type: none"> - Specific training for recruiters to prevent discrimination (§2.3 of the "Attracting and retaining talent" section) - Independent controls on recruitment practices (§2.3 of the "Attracting and retaining talent" section) 	<ul style="list-style-type: none"> - Supplier Code of Conduct (§2.2 of the "Ethics and responsibility" section) - Specific training for suppliers and buyers (§5.2 of the "Ethics and responsibility" section) - Participation in multi-party initiatives covering suppliers in higher risk categories (§5.2 of the "Ethics and responsibility" section) - Certified supply chains (§5.2 of the "Ethics and responsibility" section)
Whistleblowing system	<ul style="list-style-type: none"> - Centralized whistleblowing system (§5.6 of the "Ethics and responsibility" section) 	<ul style="list-style-type: none"> - The Group's employees can use the whistleblowing system to report suspected violations by suppliers and subcontractors - In 2018, some Maisons rolled out solutions for directly gathering opinions from suppliers' employees on their working conditions (§5.2 of the "Ethics and responsibility" section)
Follow-up and assessment measures	<ul style="list-style-type: none"> - Action plans implemented by the Maisons in countries identified as priorities during the risk mapping exercise (§5 of the "Ethics and responsibility" section) - Action plans included as part of the ERICA approach (§5 of the "Ethics and responsibility" section) - Risk mapping exercise carried out regularly 	<ul style="list-style-type: none"> - Remediation plans to address shortcomings identified during audits (§5.2 of the "Ethics and responsibility" section) - Follow-up audits at suppliers (§5.2 of the "Ethics and responsibility" section)

7.2.2 Individuals' health and safety

	Group's own operations	Suppliers and subcontractors' activities
Risk mapping	<ul style="list-style-type: none"> - Risk mapping by the Group (§4 of the "Ethics and responsibility" section) 	<ul style="list-style-type: none"> - Risk mapping by the Group (§4 of the "Ethics and responsibility" section) - Supplemental assessment of risk exposures for certain suppliers via the EcoVadis platform (§5.2 of the "Ethics and responsibility" section)
Frequent risk assessments	<ul style="list-style-type: none"> - Internal audit and control framework (§3.2 of the "Management of financial, operational and internal control risks" section) - Accident analysis and prevention 	<ul style="list-style-type: none"> - Audits and follow-up audits (§5.2 of the "Ethics and responsibility" section) - Corrective action plans following audits (§5.2 of the "Ethics and responsibility" section)
Mitigation and prevention measures	<ul style="list-style-type: none"> - LVMH Restricted Substances List, an internal standard (§5.3 of the "Ethics and responsibility" section) - LVMH Testing Program (§5.3 of the "Ethics and responsibility" section) - Promoting responsible consumption of wines and spirits (§5.3 of the "Ethics and responsibility" section) - Third-party liability insurance and product recalls (§2.3 of the "Management of financial, operational and internal control risks" section) - Specific insurance policies in countries where work-related accidents are not covered by state insurance or social security regimes (§2.3 of the "Management of financial, operational and internal control risks" section) 	<ul style="list-style-type: none"> - Supplier Code of Conduct (§2.2 of the "Ethics and responsibility" section) - Specific training for suppliers and buyers (§5.2 of the "Ethics and responsibility" section) - Participation in multi-party initiatives covering suppliers in higher risk categories (§5.2 of the "Ethics and responsibility" section) - Certified supply chains (§5.2 of the "Ethics and responsibility" section) - Assistance guides provided to suppliers for the elimination/substitution of chemicals whose use is restricted or prohibited by LVMH (§5.3 of the "Ethics and responsibility" section) - Charter on Working Relations with Fashion Models (§2.2 of the "Ethics and responsibility" section)
Whistleblowing system	<ul style="list-style-type: none"> - Centralized whistleblowing system (§5.6 of the "Ethics and responsibility" section) 	<ul style="list-style-type: none"> - The Group's employees can use the whistleblowing system to report suspected violations by suppliers and subcontractors - In 2018, some Maisons rolled out solutions for directly gathering opinions from suppliers' employees on their working conditions (§5.2 of the "Ethics and responsibility" section)
Follow-up and assessment measures	<ul style="list-style-type: none"> - Action plans implemented by the Maisons in countries identified as priorities during the risk mapping exercise (§5 of the "Ethics and responsibility" section) - Action plans included as part of the ERICA approach (§5 of the "Ethics and responsibility" section) - Risk mapping exercise carried out regularly 	<ul style="list-style-type: none"> - Remediation plans to address shortcomings identified during audits (§5.2 of the "Ethics and responsibility" section) - Follow-up audits at suppliers (§5.2 of the "Ethics and responsibility" section)

7.2.3 Environment

	Group's own operations	Suppliers and subcontractors' activities
Risk mapping	- Risk mapping by the Group (§4 of the "Ethics and responsibility" section)	- Risk mapping by the Group (§4 of the "Ethics and responsibility" section) - Supplemental assessment of risk exposures for certain suppliers via the EcoVadis platform (§5.2 of the "Ethics and responsibility" section)
Frequent risk assessments	- Environmental management systems (§5 of the "Environment and sustainability" section)	- Audits and follow-up audits (§5.2 of the "Ethics and responsibility" section) - Corrective action plans following audits (§5.2 of the "Ethics and responsibility" section)
Mitigation and prevention measures	- LIFE 2020 targets (§2 to §5 of the "Environment and sustainability" section) - Insurance covering environmental losses (§2.3 of the "Management of financial, operational and internal control risks" section)	- Supplier Code of Conduct (§2.2 of the "Ethics and responsibility" section) - Specific training for suppliers and buyers (§5.2 of the "Ethics and responsibility" section) - Participation in multi-party initiatives covering suppliers in higher risk categories (§5.2 of the "Ethics and responsibility" section) - Certified supply chains (§5.2 of the "Ethics and responsibility" section)
Whistleblowing system	- Centralized whistleblowing system (§5.6 of the "Ethics and responsibility" section)	- The Group's employees can use the whistleblowing system to report suspected violations by suppliers and subcontractors
Follow-up and assessment measures	- Tracking achievement of LIFE 2020 targets (§2 to §5 of the "Environment and sustainability" section) - Action plans implemented by the Maisons in countries identified as priorities during the risk mapping exercise (§5 of the "Ethics and responsibility" section) - Action plans included as part of the ERICA approach (§5 of the "Ethics and responsibility" section) - Risk mapping exercise carried out regularly	- Remediation plans to address shortcomings identified during audits (§5.2 of the "Ethics and responsibility" section) - Follow-up audits at suppliers (§5.2 of the "Ethics and responsibility" section)