

LVMH

INTERNAL CHARTER ON
REGULATED AND ROUTINE AGREEMENTS

AS OF JANUARY 28, 2020

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Charter on the verification of regulated agreements
and the classification of agreements

The purpose of this charter (the “**Charter**”), following a review of the regulatory framework applicable to regulated agreements and commitments, is to describe the procedure in place within the LVMH Group to (i) identify and classify the various (regulated or routine) agreements entered into within the Group, (ii) ensure compliance with the procedure for the authorization of regulated agreements, and (iii) with respect to LVMH Moët Hennessy-Louis Vuitton SE (“**LVMH**”), regularly assess routine agreements.

This Charter was drawn up following the recommendations of the Autorité des Marchés Financiers (the French securities regulator, “**AMF**”) and is based on the principles set forth in the guide issued in February 2014 by the Compagnie Nationale des Commissaires aux Comptes (CNCC, the representative body of the statutory audit profession in France). It is in keeping with the provisions of the French Commercial Code (Articles L.225-38 *et seq.*), as amended by Law No. 2019-486 of May 22, 2019 relating to business growth and transformation, known as the Pacte law.

The Charter was approved by the LVMH Board of Directors at its meeting of January 28, 2020.

It may be amended or supplemented as necessary to take account of changes in laws or regulations and/or changes in practices observed within the Group by the teams responsible for its implementation.

The Charter applies to LVMH and all of its French subsidiaries subject to regulations governing regulated agreements.

For the purposes of this Charter:

*The “**LVMH Group**” or the “**Group**” refers to LVMH Moët Hennessy-Louis Vuitton SE and all of the companies or entities that LVMH Moët Hennessy-Louis Vuitton SE controls within the meaning of Article L.233-3 of the French Commercial Code (the “**Subsidiaries**”).*

*“**Intragroup**” agreements or transactions are those (i) between LVMH SE and one or more Subsidiary(ies) and (ii) between one or more Subsidiaries of the Group.*

For the sake of simplification, reference is made only to provisions relating to French sociétés anonymes with a board of directors. Notwithstanding the foregoing, the Charter applies to all French companies subject to regulations governing regulated agreements, including companies having the following legal forms: SA with a supervisory board and an executive board, SCA, SE, SAS, SARL, société civile (non-trading company) and must be interpreted mutatis mutandis by taking into account the inherent specificities of these different legal forms.

1. REGULATED AGREEMENTS, ROUTINE AGREEMENTS AND OTHER AGREEMENTS: SYSTEM OF CLASSIFICATION

1.1 Regulated Agreements

“Regulated Agreements”¹ include any agreement:

- a) that is entered into, directly or via an intermediary, between a company and:
 - (i) its Chief Executive Officer, a Managing Director, or a Director;
 - (ii) any of its shareholders holding more than 10% of voting rights, or in the case of a legal entity shareholder, the company controlling this entity within the meaning of Article L.233-3 of the French Commercial Code;
- b) to which any of the persons referred to in a) above is not a party but in which this person has an indirect interest; and
- c) that is entered into between the company concerned and another French or foreign undertaking of which the Chief Executive Officer, a Group Managing Director or a Director of the company concerned is an owner, unlimited partner, managing director, Board member or, in a general sense, within which this person has management responsibilities.

It being specified that:

- (i) A person considered as having an “indirect interest” is any person (whether a natural person or legal entity) who/that, in respect of an agreement to which this person is not a party and owing to the relationship it maintains with either of the parties to the agreement and its power to influence their conduct, derives or is likely to derive a benefit.
- (ii) An “intermediary” is any person (whether a natural person or legal entity) having concluded an agreement with the company, the actual beneficiary of which is any of the persons referred to in items (i) or (ii) of a) above.

By way of example, an agreement may be classified as a Regulated Agreement even if not entered into by LVMH but instead by any of its Subsidiaries, provided that LVMH has an indirect interest in the said agreement. It should be noted that the mere status of LVMH as the controlling company does not necessarily or systematically imply that LVMH has an indirect interest in any agreement entered into between Subsidiaries of the LVMH Group. This determination must be made on a case-by-case basis and the notion of indirect interest must be based on criteria other than simply direct or indirect control.

Regulated Agreements are subject to a legal verification procedure described in §3 below, which involves in particular their prior authorization by the board of directors of the company or companies concerned.

¹ Article L.225-38 of the French Commercial Code

1.2 Routine agreements

The category of agreements considered as routine agreements (“**Routine Agreements**”) includes all agreements that meet the criteria listed in §1.1 above, but relate to ordinary business operations and are entered into under normal conditions.

Routine Agreements are exempt from the legal verification procedure. However, all Routine Agreements entered into by LVMH or in which LVMH has an indirect interest are subject to review at regular intervals by the Board of Directors. The procedure put in place at LVMH to monitor and periodically review the Routine Agreements in which it is involved is presented in detail in §4 below.

The two criteria – the ordinary nature of the transactions and the normal conditions – are cumulative and are assessed on a case-by-case basis.

Should either of these two criteria not be met, the agreement is reclassified as a Regulated Agreement and must therefore be covered by the procedure for Regulated Agreements described in §3 below.

a. Routine nature of transactions

Routine transactions are those carried out on a recurring basis in the normal course of business by the company and those considered as ordinary transactions within a group of companies.

The following factors are taken into consideration to determine the “routine” nature of a transaction:

- ✓ the fact that the transaction is identical to other transactions already carried out by the company concerned and relates to its ordinary business;
- ✓ the circumstances surrounding the entry into the agreement;
- ✓ the stakes involved in the planned transaction and the term of the associated agreement;
- ✓ the standard practices for companies in similar situations.

b. Normal conditions criterion

A transaction is concluded under normal conditions when it is concluded under conditions that are:

- ✓ customarily applied by the company concerned in its dealings with third parties; or
- ✓ comparable to the conditions applied for the same type of transaction by other companies, in particular those operating in the same industry sector.

In order to ascertain whether the conditions under which the agreement is entered into are “normal”, the company concerned refers not only to economic conditions, and therefore to market prices or standard industry conditions, but also to the notion of a “balance of mutual advantages”, which involves giving due consideration, over and above the price in a narrow sense, to all conditions relevant to the transaction (payment terms, any guarantees and exclusivity granted, the term, nature and legal importance of the transaction, the scale of the amounts involved with regard to the financial positions of the companies, etc.).

1.3 Agreements entered into with a wholly owned subsidiary

Agreements entered into between two companies, one of which is wholly owned, directly or indirectly, by the other (after deducting securities held to comply with the minimum holding requirement for partners) are not subject to the legal verification procedure, either at the parent company or its subsidiary, and this remains the case even if the two entities have key management personnel in common.²

1.4 Agreements not subject to the procedure for Regulated Agreements because they are covered by a specific verification procedure

Some transactions meeting the criteria referred to in §1.1 above are excluded from the scope of verification as Regulated Agreements because, by law, they are covered by a specific verification procedure. In particular, this is the case for the types of agreements or commitments listed below.

a. Collateral and other guarantees

Collateral and other guarantees as well as comfort letters falling in the same category as collateral and other guarantees are excluded from the scope of the legal verification procedure for Regulated Agreements. However, they are the focus of a specific procedure for authorization by the Board of Directors.

b. Restructuring transactions

Mergers by absorption, spin-offs, and partial transfers of assets covered by the legal regime for spin-offs are excluded from the scope of the legal verification procedure for Regulated Agreements.

c. Compensation of Board members

Compensation paid to Board members in accordance with the provisions of Article L.225-45 of the French Commercial Code is excluded from the scope of the procedure applying to Regulated Agreements.

d. Compensation awarded to senior executive officers of companies whose shares are admitted to trading on a regulated market

Items of compensation and employee benefits payable to senior executive officers of LVMH during their term of office as well as any options and bonus share awards granted to them, together with, in application of the Law of May 22, 2019 in France (known as the Pacte law), the commitments made by LVMH to its senior executive officers (Chairman, Chief Executive Officer, Group Managing Directors) that correspond to items of compensation, allowances or benefits that are due or that could be due upon the cessation of duties, as a result of a change in duties, or following the exercise of said duties, or that correspond to retirement benefits are not subject to the verification procedure for Regulated Agreements.

² This exception only applies to SAs and SCAs.

These commitments are subject to the specific “say on pay” procedure.

1.5 Prohibited agreements

Under Article L.225-43 of the French Commercial Code, the following types of agreements are strictly prohibited, on pain of being declared null and void:

- ✓ loans and overdrafts (linked to a current account or otherwise) agreed by the Company on behalf of any of its key management personnel (natural person directors, permanent representatives of legal entity directors, Chief Executive Officer, Group Managing Directors) as well as their spouses, relatives in the ascending or descending line, or any other intermediaries; and
- ✓ any commitment made by the Company in the form of sureties or endorsements in order to guarantee the commitments of any of the aforementioned persons vis-à-vis third parties.

2. CLASSIFICATION PROCEDURE FOR REGULATED AND ROUTINE AGREEMENTS WITHIN THE LVMH GROUP

2.1 Review and classification procedure

The procedure described below applies not only prior to the entry into any agreement, but also in connection with any amendment, renewal, continuation or termination of an agreement in effect, even if the agreement in question was considered as a Routine Agreement when it was initially concluded.

As a rule, any agreement or commitment is considered to be a Regulated Agreement if it meets the criteria presented in §1.1 above and if it does not satisfy the conditions to be deemed a Routine Agreement, an agreement excluded from the scope of the procedure for Regulated Agreements, or a prohibited agreement.

The classification procedure must be completed prior to the entry into the agreement or to the renewal, amendment or termination of the agreement or commitment and is to be carried out on a case-by-case basis by the legal departments concerned in coordination with any other departments concerned.

To this end, the legal departments concerned must have access to the following elements of information:

- ✓ purpose of the agreement (summarized description)
- ✓ parties to the agreement
- ✓ financial conditions
- ✓ term and renewal requirements
- ✓ specific circumstances surrounding the transactions that are the focus of the agreement, in particular any elements that might constitute a conflict of interest
- ✓ market conditions usually applicable to this type of transaction

- ✓ all other conditions, apart from financial conditions, providing an indication of the overall balance of the agreement (guarantees, exclusivity, payment terms, contract termination options, etc.)
- ✓ analysis by the department concerned of the routine and normal nature of the proposed agreement.

Based on this information, the legal departments concerned proceed with the review of the proposed agreement and determine whether it is covered by the procedure for Regulated Agreements or, conversely, it satisfies the conditions enabling it to be classified as a Routine Agreement. The legal departments concerned may request additional information from the department(s) concerned by the proposed agreement.

Any persons with a direct or indirect interest in the agreement under review may not take part in the analysis.

If, upon completing this review, the proposed agreement is determined to be a Regulated Agreement, the legal department or legal departments concerned take steps to ensure that the verification procedure described in §3 is followed.

2.2 Types of Routine Agreements within the LVMH Group

The agreements and commitments listed in **Appendix A** of this Charter are “in principle” considered as Routine Agreements and are thus not subject to the prior verification procedure described in §3 below (but are covered, for LVMH, by the review procedure described in §4 below), provided they are entered into under normal conditions (as this notion is defined in §1.2 above).

The list provided in **Appendix A** is not exhaustive and has been drawn up on the basis of the agreements regularly entered into within the LVMH Group. It will be supplemented periodically, depending on developments in regulations as well as changes in practices within the Group.

3. VERIFICATION PROCEDURE FOR REGULATED AGREEMENTS

Regulated Agreements are subject to the procedure presented below.

3.1 Prior to the signing of the Regulated Agreement

All persons with a direct or indirect interest in a proposed regulated agreement must notify the Board of Directors as soon as they become aware of this agreement and in any event prior to its signing, amendment or termination. In practice, for LVMH, these notifications are made to the Secretary of the Board of Directors.

- ✓ The entry into, amendment, renewal or termination of any Regulated Agreement is subject to prior authorization by the board of directors of the company or companies concerned, in observation of the following rules:
 - The request for the authorization of the agreement must be explicitly included in the agenda of the Board meeting.
 - The authorization must be the focus of a specific discussion.
 - The Board of Directors must take a position on the interest of the agreement for the Company, notably with regard to its financial conditions.
 - Any directly or indirectly interested person who is a member of the Board of Directors may not take part either in the discussion or in the vote on the agreement; since more generally, a Board member with ties to a natural person or legal entity having an interest in a Regulated Agreement is required to abstain from any vote on the agreement if the ties in question would place the Board member in an actual or possible conflict of interest.
- ✓ **Solely with respect to LVMH:**
 - Information relating to any Regulated Agreement for which disclosure is required by regulations must be published on the LVMH website no later than the date of the entry into the agreement concerned.
 - The appointment of an independent expert may be decided if the Regulated Agreement is likely to have a significant impact on the financial position or results of operations of LVMH and/or the LVMH Group.

3.2 Subsequent to the signing of the Regulated Agreement

- ✓ No later than one month following the Board of Directors' meeting at which the agreement was authorized, and provided it was effectively concluded, the Statutory Auditors are informed of its existence and the reasons put forward by the Board of Directors for its authorization.
- ✓ As part of the approval process for the parent company financial statements, the Statutory Auditors issue a special report on regulated agreements.

- ✓ Regulated Agreements are submitted for shareholder examination and approval. The interested person does not take part in the vote, but the shares held by this person are included for the purposes of calculating the quorum.
- ✓ Each year, the Board of Directors receives notification of and examines all agreements and commitments entered into and authorized in prior fiscal years that remained in effect during the past fiscal year, without submitting these agreements to a new authorization procedure; in light of this, the Board of Directors may determine that an agreement considered as a Regulated Agreement in the past has lost its regulated status.
- ✓ The Board of Directors' report on corporate governance contains the required disclosures concerning the Regulated Agreements entered into or that remained in effect during the past fiscal year.

3.3 Consequences of a failure to comply with this procedure

Regulated Agreements concluded without prior authorization by the Board of Directors may be disaffirmed if they have detrimental consequences for the company or companies concerned. However, this declaration of invalidity may be reversed as ratified by the Board of Directors, followed by a vote at the Shareholders' Meeting after reviewing a report by the Statutory Auditors presenting the circumstances explaining why the procedure was not followed.

Regulated Agreements, whether or not they are approved by the Board of Directors and/or at the Shareholders' Meeting, continue in effect vis-à-vis third parties, except in cases of fraud. The interested person, and ultimately the members of the Board of Directors, may be held liable for the harmful consequences of a non-authorized agreement for the company.³

4. REVIEW PROCEDURE FOR ROUTINE AGREEMENTS

This procedure only applies to companies whose shares are admitted to trading on a regulated market.

Within the LVMH Group, it therefore only concerns LVMH.

4.1 Annual review of Routine Agreements by LVMH's Legal Department

Once each year and in advance of the Board of Directors' meeting called to approve the annual financial statements, LVMH's Legal Department carries out a review of all Routine Agreements entered into by LVMH during the past year or previously that remained in effect during the past fiscal year to determine whether they still satisfy the conditions to be classified as Routine Agreements, on the basis of the information submitted by the operational departments concerned.

³ Article L.225-41 of the French Commercial Code.

If the Legal Department finds that a Routine Agreement does not satisfy or no longer satisfies the conditions to be classified as such and ought to have been submitted for prior authorization by the Board of Directors, it communicates this decision in a report, including an explanation of the grounds for its findings and makes sure that the a posteriori ratification/approval procedure is applied.

A report summarizing the findings of this annual review is submitted to the Performance Audit Committee.

4.2 Performance Audit Committee report

The Performance Audit Committee examines the conclusions of the report prepared by the Legal Department on the Routine Agreements entered into during the past fiscal year or during prior fiscal years that remained in effect during the past fiscal year.

In advance of the meeting of the LVMH Board of Directors called to approve the financial statements for the fiscal year just ended, the Performance Audit Committee presents the conclusions of this report to the Board of Directors.

4.3 Annual examination by the Board of Directors

Each year, pursuant to Article L.225-39 paragraph 2 of the French Commercial Code,⁴ the Board of Directors examines the implementation of this classification and assessment procedure for Routine Agreements, which it updates in accordance with legal and regulatory developments, and adopts any amendments that it deems appropriate to reinforce the procedure's effectiveness.

The Board of Directors also decides, based on the recommendation of the Performance Audit Committee, whether to reclassify a Routine Agreement as a Regulated Agreement or vice versa, it being specified that, in the course of the review relating to this possible reclassification by the Board of Directors, the persons with a direct or indirect interest in the agreement must abstain from the discussion and the vote.

The procedure and the results of its implementation are described each year in the Board of Directors' report on corporate governance (included in the Universal Registration Document), which is made available on the Company's website.

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⁴ Provisions resulting from the Pacte law of May 22, 2019.

APPENDIX A

Agreements classified as Routine Agreements within the LVMH Group

The following agreements are considered in principle as Routine Agreements within the LVMH Group, provided they have been entered into under normal conditions.

Agreements and commitments concluded under conditions defined at the Group level (in particular financial conditions) and consistent with framework contracts defined at the Group level by the Group Finance Department, the Group Tax Department, the Group Accounting Department, and/or the Group Legal Department, as applicable, and falling within a category of agreements (as opposed to financial conditions or other contractual provisions defined for a specific transaction, are deemed as having been entered into under normal conditions).

- ✓ Management assistance agreements
- ✓ Service level agreements (relating, in particular, to human resources, information systems, management, communications, legal affairs, accounting, purchasing)
- ✓ Tax consolidation agreements
- ✓ Cash management agreements
- ✓ Agreements for automated and non-automated cash transactions
- ✓ Intragroup loan agreements, provided the financial conditions of these loans are consistent with the schedule drawn up by the Group Finance Department
- ✓ Specific loan agreements, provided the financial conditions of these loans are consistent with the schedule drawn up by the Group Finance Department
- ✓ Contracts governing personal data transfers within the Group (BCRs, DTAs, SCCs, etc.)
- ✓ Industrial subcontracting agreements
- ✓ Brand licensing agreements
- ✓ Lease-back agreements
- ✓ Agreements for a loan of LVMH shares to a company officer in connection with his or her duties
- ✓ Agreements for the subletting or assignment of premises, provided the conditions reflect the principal lease amount and that the rent and occupancy expenses are invoiced at cost plus a margin intended in particular to cover indirect non-allocated expenses
- ✓ Staff secondment agreements, provided the amounts are invoiced in accordance with applicable law and regulations
- ✓ Intragroup distribution agreements, provided the financial conditions are in line with the transfer price policy applicable within the Group for the transaction in question and that the economic conditions are balanced.