

MANAGEMENT REPORT OF THE BOARD OF DIRECTORS

Human resources

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1. NOTE ON METHODOLOGY

Since 2010, all staff members involved in Group reporting on employee-related issues have had access to an e-learning module. The purpose of this online training tool is to familiarize users with the objectives of reporting on employee-related issues, and deepen understanding of key indicators and the calculation methodology used. Control procedures have also been reinforced within each organizational entity. To ensure the quality of the data reported, Group companies' Directors of Human Resources appoint a reporter for each company under their responsibility, who is in charge of collecting and declaring all employee-related data, as well as a reviewer who is responsible for checking the data declared by the reporter and certifying that it is accurate by providing an electronic signature during the validation phase of the questionnaire completed online. Following these two preliminary validation stages, the Group company's Director of Human Resources – the supervisor – provides his or her final validation by signing a letter of representation.

The mapping between organizational and legal entities ensures consistency between reporting on employee-related issues and financial reporting. Accordingly, the scope of reporting on employee-related issues covers all staff employed by fully consolidated Group companies, but does not include equity-accounted associates.

A descriptive sheet is available for each employee-related indicator specifying its relevance, the elements of information tracked, the procedure to be applied to gather information, and the various controls to be performed when entering data. Furthermore, computer checks are implemented throughout the reporting cycle to confirm the reliability and consistency of the data entered.

Workforce information provided below relates to all consolidated companies as of December 31, 2016, including LVMH's share in joint ventures. Donna Karan International, sold to G-III Apparel Group in December 2016, is not included in employee-related indicators. Other employee-related indicators were calculated for a scope of 626 organizational entities covering more than 99% of the global workforce and encompass all staff employed during the fiscal year, including those employed by joint ventures.

Since the 2007 fiscal year, selected employee-related disclosures for the Group have been audited each year by one of the Group's Statutory Auditors. For fiscal year 2016, company data was verified by Ernst & Young, in accordance with Article R.225-105-2 of the French Commercial Code. Their findings are expressed in a report following the section entitled "LVMH and the environment" of the Reference Document.

Group companies provide an overview of their corporate social responsibility initiatives in a yearly CSR (Corporate Social Responsibility) reporting survey, which supplements the Group's reporting on employee-related issues. This survey, which is carried out across all Group companies, covers the most common social responsibility issues: human rights, diversity and the prevention of discrimination, skills development, working conditions, listening to and dialoguing with employees, and local community engagement. For each of these topics, the survey form includes references to the conventions and recommendations of the International Labor Organization.

LVMH's employees in China are included in the number of staff working under permanent contracts (10,486 as of December 31, 2016). Although Chinese law limits the duration of employment contracts, which become permanent only after several years, the LVMH group considers employees working under such contracts as permanent, given the nature of Chinese labor legislation.

2. BREAKDOWN OF AND CHANGES IN THE WORKFORCE

2.1. Breakdown of the workforce

Total headcount as of December 31, 2016 stood at 134,476 employees, an increase of 7% compared with 2015. Of this total, 119,970 employees were working under permanent contracts and 14,506 under fixed-term contracts. Part-time employees represented 20% of the total workforce, or 27,423 individuals. Staff outside France represented 80% of the worldwide workforce.

The Group's average total Full Time Equivalent (FTE) workforce in 2016 comprised 116,786 employees, up 6% compared with 2015.

The tables below show the breakdown of the workforce by business group, geographic region and professional category.

Breakdown by business group

Total headcount as of December 31 ^(a)	2016	%	2015	%	2014	%
Wines and Spirits	6,938	5	7,050	6	7,057	6
Fashion and Leather Goods	32,887 ^(b)	24	33,377	27	33,375	28
Perfumes and Cosmetics	24,170	18	23,131	18	22,009	18
Watches and Jewelry	7,937	6	7,800	6	7,625	6
Selective Retailing	57,428	43	51,920	41	49,566	41
Other activities	5,116 ^(c)	4	2,068	2	1,657	1
Total	134,476	100	125,346	100	121,289	100

(a) Total permanent and fixed-term headcount.

(b) The decline in headcount in the Fashion and Leather Goods division is due to the sale of Donna Karan International to US-based G-III Apparel Group in December 2016.

(c) The increase in headcount in Other activities is due to the consolidation of the Le Parisien group as of January 1, 2016.

Breakdown by geographical region

Total headcount as of December 31 ^(a)	2016	%	2015	%	2014	%
France	26,970	20	23,150	18	22,326	18
Europe (excluding France)	30,803	23	29,282	23	28,439	24
United States	32,265	24	30,596	24	29,284	24
Japan	5,991	4	5,859	5	5,850	5
Asia (excluding Japan)	27,835	21	27,056	22	27,080	22
Other markets	10,612	8	9,403	8	8,310	7
Total	134,476	100	125,346	100	121,289	100

(a) Total permanent and fixed-term headcount.

Breakdown of personnel by professional category

Total headcount as of December 31 ^(a)	2016	%	2015	%	2014	%
Executives and managers	23,279	17	21,510	17	20,584	17
Technicians and supervisors	12,823	10	12,077	10	11,786	10
Administrative and sales employees	81,632	61	77,153	61	74,365	61
Production workers	16,742	12	14,606	12	14,554	12
Total	134,476	100	125,346	100	121,289	100

(a) Total permanent and fixed-term headcount.

Average age and breakdown by age

The average age of the worldwide workforce employed under permanent contracts is 36 years and the median age is 33 years. The youngest age ranges are found among sales personnel, mainly in Asia, the United States and Other markets.

(as %)	Global workforce	France	Europe (excluding France)	United States	Japan	Asia (excluding Japan)	Other markets
Age: under 25	13.1	5.9	7.4	24.4	3.7	11.7	26.1
25-29	20.6	15.0	16.0	23.0	11.8	28.9	23.7
30-34	18.9	15.1	18.6	16.0	20.3	25.4	19.0
35-39	14.5	14.1	17.1	10.7	23.9	14.9	12.8
40-44	10.9	13.5	14.8	7.0	20.8	7.6	7.7
45-49	8.5	12.2	11.4	6.3	10.8	4.9	4.6
50-54	6.6	11.6	7.8	5.2	5.7	3.5	3.2
55-59	4.4	8.8	4.7	3.6	2.8	2.0	1.8
60 and up	2.5	3.8	2.2	3.8	0.2	1.1	1.1
	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Average age	36	40	38	34	38	34	32

Average length of service and breakdown by length of service

The average length of service within the Group is 10 years in France and ranges from 4 to 8 years in other geographical regions. This difference is mainly due to the predominance in these other regions of retail activities characterized by a higher rate

of turnover. It is also the result of recent expansion by Group companies into high-growth markets, where employment is more fluid.

(as %)	Global workforce	France	Europe (excluding France)	United States	Japan	Asia (excluding Japan)	Other markets
Length of service: less than 5 years	58.5	38.4	46.6	74.9	43.6	69.5	78.5
5-9 years	19.9	21.8	25.7	14.8	22.8	19.2	12.9
10-14 years	9.0	11.9	13.1	5.4	19.6	5.2	3.9
15-19 years	6.1	11.6	8.3	2.7	8.8	2.4	2.6
20-24 years	2.6	5.2	3.0	0.9	2.6	1.9	0.9
25-29 years	2.1	5.7	1.9	0.5	2.1	1.2	0.5
30 years and up	1.8	5.4	1.4	0.8	0.5	0.6	0.7
	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Average length of service	7	10	8	5	8	5	4

2.2. Recruitment policy: attracting a diverse array of talent

Identifying and recruiting talent are decisive elements in the success of the LVMH group and each of its entities in the short, medium and long term. In this highly competitive world, where creativity and expertise are of the utmost importance, it is essential to be able to enlist the highest-performing, most appropriate and most promising talent.

LVMH has put several ambitious action plans in place to make the career opportunities within what the Group calls its “ecosystem” better known. With the wide reach of its brands, growth and international expansion, the LVMH group naturally attracts talent from the world of luxury goods, and beyond,

from all innovative fields. The Group also focuses on raising awareness of the full extent of its highly diverse range of professions to guarantee excellence across all its business lines.

The LVMH group wanted to strengthen its ties with the younger generation in 2016 by creating INSIDE LVMH, an event designed to give 220 students from Europe’s top business, engineering and design schools access to the Group and some of its companies. The day provided the opportunity for close discussion and sharing of ideas on the topic of innovation and luxury. The day was divided into three parts: a morning small-group session providing an in-depth introduction to 16 of the Group’s companies

(including Berluti, Louis Vuitton, Parfums Christian Dior, Make Up For Ever, Moët Hennessy and Chaumet), an afternoon group workshop on innovation at the Group's head office, and an evening at the Fondation Louis Vuitton. Students were welcomed by Chantal Gaemperle, who talked about how integral the passing on and sharing of knowledge is to the Group's HR policy. Bernard Arnault then gave a presentation of his vision for the Group and the opportunities it offers. At the end of the masterclass, guests could visit the "Icons of Modern Art: The Shchukin Collection" exhibition.

The event was a real success, receiving very positive feedback from the universities, students and Group employees involved. The students that attended made connections that will help them consider a potential career with the Group.

In 2016, the Group also deepened its strong ties with schools and universities thanks to two new additions to its portfolio of international partnerships:

- "Creation & Sustainability" partnership with Central Saint Martins in London;
- chair in *Savoir-Faire d'Exception* (exceptional expertise) in partnership with ESSEC Business School.

In addition to these programs, the LVMH group has also developed new digital tools to reach a wider audience of students, streamline the job application experience and encourage a diverse pool of candidates to apply. Examples of these innovative initiatives include the "InMind" application (for digitizing CVs submitted on student forums), virtual job forums, pre-recorded video interviews and an online presence on platforms such as jobteaser.com.

2.3. Movements during the year: joiners, leavers and internal mobility

In 2016, 33,477 individuals were hired under permanent contracts, including 4,000 in France. A total of 7,782 people were recruited in France under fixed-term contracts. The seasonal sales peaks, at the end-of-year holiday season and the harvest season, are two main reasons for using fixed-term contracts.

In 2016, a total of 24,785 employees working under permanent contracts left Group companies (for any reason); of these, 47% were employed within the Selective Retailing business group,

Alongside these Group-wide initiatives, several Group companies, such as Sephora, Parfums Christian Dior, Louis Vuitton and Guerlain, regularly launch their own employer communication campaigns in order to attract the best candidates.

LVMH's determination to give itself and its Group companies the means to reinforce its image as an employer of choice is widely recognized. Initiatives taken by all Group companies have been popular with Business School students in France, who ranked LVMH first among preferred employers for the eleventh consecutive year in the Universum poll.

The LVMH Code of Conduct for Recruitment has been widely disseminated to all employees active in recruitment processes across the Group. It sets forth the ethical 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. It is backed by the rollout within the Group of the "Recruitment without Discrimination" training program. Since 2011, this training program has been mandatory for all human resource managers involved in recruiting. Specific training sessions have gradually been rolled out on a country-by-country basis so as to align LVMH's practices with domestic legislation. To verify this system's effectiveness, since 2008 LVMH has organized ongoing checks of its hiring practices by having an independent firm test its published job offers for discrimination. A global campaign was launched in fall 2014 and ended in spring 2016, with tests carried out in five countries: China, the United States, France, Italy and Switzerland. At the end of the test campaign, the findings were shared with Group companies' human resources departments. Campaigns to test for discrimination help monitor compliance with our commitments while managing the system for preventing discrimination in recruitment.

which traditionally experiences a high turnover rate. The leading causes for departure were resignation (74%) and individual dismissal (13%).

The overall turnover rate was lower than in 2015 and showed marked differences between geographical regions: the highest rates were recorded in North America, Asia and Other markets, where labor markets are more fluid.

Turnover by geographic region

(as %)	2016	France	Europe (excluding France)	United States	Japan	Asia (excluding Japan)	Other markets	2015	2014
Total turnover ^(a)	20.5	11.7	14.7	28.7	9.7	25.9	28.2	21.8	20.9
Of which: voluntary turnover ^(b)	15.2	4.9	10.3	24.8	8.9	19.6	20.5	16.0	15.6
involuntary turnover ^(c)	4.8	5.6	4.0	3.7	0.6	5.9	7.6	5.2	4.8

(a) All reasons.

(b) Resignations.

(c) Dismissals/end of trial period.

Breakdown of movements^(a) of employees working under permanent contracts by business group and geographic region

(number)	Joiners			Leavers		
	2016	2015	2014	2016	2015	2014
Wines and Spirits	778	691	809	632	720	879
Fashion and Leather Goods	5,965	6,241	6,359	5,300	6,171	5,692
Perfumes and Cosmetics	6,314	5,424	5,228	5,239	4,706	4,495
Watches and Jewelry	1,256	1,321	1,342	1,110	1,245	1,240
Selective Retailing	18,113	13,978	13,171	11,705	11,225	10,090
Other activities	1,051	272	175	799	173	91
Total	33,477	27,927	27,084	24,785	24,240	22,487
France	4,000	2,764	2,454	2,953	2,252	2,009
Europe (excluding France)	5,767	4,533	4,458	4,071	3,936	4,095
United States	11,038	9,486	8,389	7,566	7,664	6,543
Japan	729	604	660	524	542	573
Asia (excluding Japan)	7,663	7,360	8,057	6,962	7,382	7,136
Other markets	4,280	3,180	3,066	2,709	2,464	2,131
Total	33,477	27,927	27,084	24,785	24,240	22,487

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

LVMH Human Resources prides itself on offering a wealth of career development options and international opportunities. With more than 2,500 internal transfers of management personnel, this year was no exception. This process was given greater impetus by MOVE, the internal jobs portal accessible via the Group's Intranet.

As the Group's companies develop in evolving marketplaces, and new growth drivers such as digital technology come to the fore, we have been able to provide varied career opportunities at every level of the organization, prompting a cross pollination of skills between different business segments.

Thanks to the engagement and close collaboration of our HR managers at Group companies around the world, especially through regular talent reviews, 74% of senior management vacancies have been filled through internal promotions. Specific working groups now exist for retail, digital, finance and supply

chain jobs, in addition to the 53 internal transfer review boards for different seniority levels and regions. This approach is underpinned by far-reaching changes in the increasingly digital tools and information systems used for human resource management and the integration of social media into an even more proactive talent outreach process.

We take special care to get to know our employees and to foster their professional development. The personalized support given to them has been improved by upgrading the quality of career discussions and annual interviews, with training for HR and line managers all around the world.

The standard yearly organizational and talent review was performed with special attention to indicators of cultural and gender diversity. This approach revealed a talent pool of 1,000 key individuals from 43 different countries, with women accounting for 57% of the "high-potential" group.

3. WORKING TIME

3.1. Organization of working time

Worldwide, 13% of employees benefit from variable or adjusted working hours and 49% work as a team or alternate their working hours.

Global workforce affected by various forms of working time adjustments: breakdown by geographical region

Employees concerned ^(a) (as %)	Global workforce	France	Europe (excluding France)	United States	Japan	Asia (excluding Japan)	Other markets
Variable/adjusted schedules	13	29	19	2	16	5	6
Part-time	20	15	18	42	4	4	28
Teamwork or alternating hours	49	9	30	79	79	71	59

(a) Percentages are calculated on the basis of total headcount (employees under both permanent and fixed-term contracts) in France. For the other regions, they are calculated in relation to the number of employees under permanent contracts, except for part-time workers, in which case the percentages are calculated with respect to the total headcount.

Workforce in France affected by various forms of working time adjustment: breakdown by professional category

Employees concerned ^(a) (as %)	Workforce in France	Executives and managers	Technicians and supervisors	Administrative and sales employees	Production workers
Variable/adjusted schedules	29	19	48	54	1
Part-time	15	2	6	19	30
Teamwork or alternating hours	9	0	9	2	29
Employees benefiting from time off in lieu	8	0	12	16	7

(a) Percentages are calculated in relation to the total number of employees under permanent and fixed-term contracts.

3.2. Overtime

The cost of total overtime hours is 83 million euros, an average of 1.7% of the worldwide payroll.

Overtime by region

(as % of total payroll)	Global workforce	France	Europe (excluding France)	United States	Japan	Asia (excluding Japan)	Other markets
Overtime	1.7	1.5	1.7	1.6	3.1	1.9	0.9

3.3. Absence rate

The Group's worldwide absence rate for employees working under permanent and fixed-term contracts was 5.1%. This was higher than in previous years (4.8% in 2015 and 5.0% in 2014). This slight increase was partly due to a decline in maternity leave (1.6% vs. 1.5% in 2015), unpaid absence

(0.5% vs. 0.4% in 2015) and paid absences (0.4% vs. 0.3% in 2015). This change was partly due to the consolidation of French entities, which increased the number of sick days and unpaid absences. The overall absence rate within French entities is twice as high as that recorded in other geographic regions.

Absence rate^(a) by region and by reason

<i>(as %)</i>	Global workforce	France	Europe (excluding France)	United States	Japan	Asia (excluding Japan)	Other markets
Illness	2.4	4.3	3.2	1.2	0.5	1.8	1.3
Work/commuting accidents	0.2	0.5	0.1	0.1	0.1	0.0	0.1
Maternity leave	1.6	1.3	2.8	0.7	1.1	1.7	1.1
Paid absences (family events)	0.4	0.5	0.4	0.2	0.2	0.5	0.4
Unpaid absences	0.5	1.0	0.3	0.3	0.3	0.5	0.3
Overall absence rate	5.1	7.5	6.8	2.5	2.2	4.5	3.3

(a) Number of days' absence divided by theoretical number of days worked.

4. COMPENSATION

Group companies offer compensation packages that are competitively positioned with respect to the market in order to attract and motivate talented staff. International salary surveys, in relation to specific professions and sectors, are carried out annually and are used to permanently ensure that the Group maintains a favorable position against the markets. By means of variable pay components based on both individual performance

and the financial results of the companies that employ them, managers have a vested interest in Group companies' success.

Initiatives and tools specific to each entity are put in place to reduce any salary gaps between women and men within the same professional category.

4.1. Average salary

The table below shows the average monthly gross compensation paid to Group employees in France under full-time permanent contracts who were employed throughout the year:

Employees concerned <i>(as %)</i>	2016	2015	2014
Less than 1,500 euros	1.6	1.7	1.8
1,501 to 2,250 euros	22.4	24.9	26.9
2,251 to 3,000 euros	22.6	22.4	21.8
Over 3,000 euros	53.4	51.0	49.5
Total	100.0	100.0	100.0

4.2. Personnel costs

Worldwide personnel costs break down as follows:

<i>(EUR millions)</i>	2016	2015	2014
Gross payroll – Fixed-term or permanent contracts	4,886.3	4,611.6	4,062.0
Employers' social security contributions	1,275.7	1,161.4	1,120.5
Temporary staffing costs	246.4	218.8	185.0
Total personnel costs	6,408.4	5,991.8	5,367.5

Outsourcing and temporary staffing costs increased year on year, accounting for 6.8% of the total worldwide payroll, including employer's social security contributions.

4.3. Profit-sharing, incentive and company savings plans

All companies in France with at least 50 employees have a profit-sharing, incentive or company savings plan. These plans accounted for a total expense of 215.4 million euros in 2016, paid in respect of 2015, an increase compared to the previous year. Profit-sharing bonuses were eliminated as of January 1, 2015 (pursuant to Article 19 of the French Social Security Budget Act for 2015).

(EUR millions)	2016	2015	2014
Profit sharing	100.4	88.9	90.6
Incentive	94	69.5	51.4
Employer's contribution to company savings plans	21	17.8	16.0
Profit-sharing bonuses	0.0	0.0	14.1
Total	215.4	176.2	172.1

5. SOCIAL RESPONSIBILITY

Since 2003, the LVMH group has shown its support for universal values as a signatory of the United Nations Global Compact. It is committed to aligning its operations and its strategy with ten principles related to human rights, working standards, respect for the environment and the fight against corruption. LVMH also supports the Universal Declaration of Human Rights, OECD guidelines, the International Labor Organization's Fundamental Conventions, the United Nations' Millennium Development Goals, Women's Empowerment Principles, and the French Diversity Charter. These commitments are included in the LVMH Code of Conduct and transposed into principles that are disseminated throughout all Group companies.

LVMH has identified four priorities for all its companies that apply throughout the world. These priorities have been identified based on an analysis of the challenges facing the Group and interactions with its stakeholders. They are as follows: developing talent and skills, constant attention to working conditions, preventing all forms of discrimination and respecting each person as a unique individual, and community engagement to help local populations. These Group priorities are also shared attributes among all Group companies, which operate in very different worlds. They provide those companies and entities with an overall framework for action, leaving them free to identify other priorities specific to their business and environment, and to draw up their own action plans. Group companies then implement their approach independently and in coordination with the Group, in accordance with their business, their own human and societal issues and their local contexts.

Group companies provide an overview of their approach in a yearly CSR reporting survey, which supplements the Group's reporting on employee-related issues. This survey, which is carried out across all Group companies, covers the most common social responsibility issues: human rights, diversity and the prevention of discrimination, skills development, working conditions, listening to and dialoguing with employees, and local community engagement. For each of these topics, the survey form includes references to the conventions and recommendations of the International Labor Organization.

At Group company level, the Human Resources Department is responsible for managing the CSR approach. The HR Director appoints a CSR correspondent who liaises with LVMH, ensures that the company's actions are consistent with Group policy, and handles CSR reporting.

At Group level, strategic priorities are pursued through regular dialogue between the social development department and CSR correspondents at Group companies, who are connected through the CSR network. Once or twice a year, the members of the CSR network meet to review the year ended based on the annual survey, set shared priorities for the current year, look for ways to collaborate with each other and share their best practices. In 2016, the CSR network met in Paris on March 10 and July 19.

LVMH reports on its social responsibility policy and actions in the Annual Report, the Reference Document and – since 2012 – its Social Responsibility Report.

Employee CSR education and awareness-raising is carried out via the Group website and the Intranet. Because social responsibility is a vital part of any manager's job, all newly hired managers systematically receive training in CSR, its implementation and the role it plays, through their induction seminar and online induction session.

Lastly, every year since 2013, LVMH has invited its companies to celebrate the Group's commitment to its people and society at the Engaged Maisons Dinner. A human resources initiative chaired by Chantal Gaemperle, the Group's Director of Human Resources and Synergies, and attended by Antonio Belloni, Group Managing Director, this event brings together stakeholders who play an active role in LVMH's social responsibility, internal champions and external partners of Group companies and the Group as a whole. On December 7, 2016, it was attended by more than 390 people, including 17 company Presidents and three Executive Committee members, as well as numerous partners, opinion leaders, and heads of NGOs and other non-profit organizations.

5.1. Gender equality

Gender equality is an integral part of LVMH's corporate culture. Women account for three-quarters (74%) of staff working under permanent contracts. This strong female presence is an essential characteristic of the Group. Women are particularly prominent in Selective Retailing (84% women), Perfumes and Cosmetics (83% women), and Fashion and Leather Goods (70% women). Conversely, men make up the majority of staff in Wines and Spirits, representing 63% of this business group's workforce. In 2016, 64% of executives and managers were women.

Launched in 2007 on the initiative of Chantal Gaemperle, the Group's Director of Human Resources and Synergies, the EllesVMH program encompasses all of the measures taken within the LVMH group. Its aim is to promote a mixed working environment where talent is able to flourish by offering equal opportunities to everyone. The program comprises a wide variety of initiatives, such as creating a dedicated coaching program for high-potential women, signing up to the United Nations Women's Empowerment Principles in 2013, and setting up local networks.

Reasserting its commitment to diversity and supporting female leadership, the LVMH group stepped up its efforts in 2016. In addition to the EllesVMH Coaching program, in which around 40 women have taken part every year since it was launched in 2013, the Group and its companies have organized local in-house events.

On the occasion of International Women's Day on March 8, the LVMH group organized a series of in-house events around the world. In Paris, Cognac, New York, Shanghai, Hong Kong, London and Madrid, a total of more than 1,000 female employees took part in celebrations centered around the theme of "Daring". The Paris event and local spin-offs featured testimonies from a number of speakers from within and outside the Group, as well as opportunities for discussion and networking.

Building on this success, the Group capitalized on the enthusiasm stirred up by the initiative to organize "EllesVMH Connect", a completely new worldwide digital event. Drawing on its local networks, the Group has made the women who attend EllesVMH events ambassadors for the initiative at their companies.

Each of them was asked to put together a six-person, gender-balanced discussion group, which was invited to connect to an online platform on September 23, 2016. Participants could complete a workshop led by Joan Williams, Professor of Law at the University of California and Founding Director of the Center for WorkLife Law in San Francisco. She talked about the results of her research into women and leadership, with four types of behaviors that constitute obstacles to career advancement for women in business. After watching the videos, participants were invited to share their ideas on how to look out for and correct these behaviors that are damaging to women's careers by publishing them on the "EllesVMH Connect" platform.

In total, over 2,000 employees took part in the initiative, spanning 22 countries and 43 Group companies. Some countries such as Japan used the opportunity to re-activate local networks. In other countries, it provided the opportunity to create new communities, such as in Australia, Africa (South Africa and Nigeria) and Latin America (Brazil, Mexico and Argentina). Participants' contributions have helped to develop the EllesVMH strategy.

In addition to internal initiatives aiming to encourage true diversity, LVMH is continuing to track the career development of its talented women at its annual organizational review, thanks to a set of targets and key indicators. The Group provides annual coaching for the most promising of its female talents, to smooth their transition into executive roles. In 2016, 36 female employees benefited from this comprehensive program, bringing the number of high-potential women who have taken part in the initiative since it was launched in 2013 to 150. Group companies also independently pursue their own initiatives in this area, in line with their needs and the specific characteristics of the cultures in which they operate.

In 2017, LVMH will be continuing its efforts to achieve its target of 50% female representation on Executive Committees by 2020. In 2016, 38% of these positions were held by women (38% in 2015). Six Group companies are chaired by women: Acqua di Parma, Fred, Fresh, Krug, Loewe and Starboard Cruise Services.

Proportion of female employees among joiners and in the Group's active workforce^(a)

(% women)	Joiners			Group workforce		
	2016	2015	2014	2016	2015	2014
Breakdown by business group						
Wines and Spirits	46	44	37	37	36	37
Fashion and Leather Goods	66	68	66	70	71	70
Perfumes and Cosmetics	86	85	84	83	83	83
Watches and Jewelry	59	62	59	59	59	59
Selective Retailing	84	85	84	84	83	82
Other activities	32	47	57	33	44	47
Breakdown by professional category						
Executives and managers	64	63	64	64	63	63
Technicians and supervisors	70	73	71	68	69	69
Administration and Sales personnel	83	83	81	82	82	81
Production workers	44	53	42	56	60	60
Breakdown by geographic region						
France	64	70	70	64	68	68
Europe (excluding France)	79	78	77	74	74	74
United States	82	82	81	80	79	78
Japan	77	77	79	76	75	75
Asia (excluding Japan)	75	77	73	76	76	75
Other markets	84	80	79	74	71	69
LVMH group	78	78	77	74	74	74

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

5.2. Actions in favor of older employees

The Group's various trades rely on precious expertise that is acquired and transmitted from one generation to the next. Preserving and passing on that expertise is thus a core priority for human resource management at Group companies. The people with this expertise tend to be older employees with an extensive background in their craft. Worldwide, 13% of the Group's workforce is over the age of 50. In France, this population accounts for 24% of the workforce.

At the instigation of the Group's Human Resources Department, Group companies are careful to implement a global approach to the management and professional development of older staff. They have been able to develop their policies according to their specific characteristics as pinpointed through diagnostic testing. In France, 26 Group companies have made commitments in relation to the management of older employees' careers via agreements or action plans to foster the recruitment, employment and career development of staff over the age of 50. All Group companies in France, regardless of size, have renewed the "contrat de génération" (cross-generation contract) scheme to promote the sustainable employment of young people, encourage the hiring of older employees, and facilitate knowledge transfer across generations.

The Group's anti-discrimination policy naturally leads its companies to hire seniors. Group companies may place the emphasis on certain aspects rather than others, such as training older employees or transferring skills. For example, training at Moët Hennessy is led by in-house experts, while Louis Vuitton has developed tutorship-based training for senior staff at its stores in France. Bvlgari in Italy gives out "senior awards" in recognition of employees who have been with the company for a long time and to encourage long careers. Companies provide assistance with the difficult step of taking retirement, by offering flexible working hours (for example at Louis Vuitton in France and Germany), retirement interviews (such as at Hublot) and training (for example at Céline, Hennessy and LVMH Fragrance Brands).

Companies also pay special attention to retaining older employees. Improvement efforts have also focused on workstation ergonomics, the reduction of physical strain, and working conditions more generally for employees over the age of 50, especially for the positions most exposed to physical or mental stress in workshops and at production facilities.

5.3. Employment of people with disabilities

Supporting access to employment for people with disabilities is at the heart of LVMH's corporate social responsibility policy. It is a top priority and an apt reflection of the Group's values: respect for each person as an individual and the same attitude expected of everyone working for the Group.

LVMH's Mission Handicap initiative, established in 2007, is tasked with making this ambition a reality, for which it relies on a network of 35 disability correspondents at Group companies. It steers the Group's actions in this area by raising employee awareness and providing support for training people with disabilities. It also promotes hiring and lasting employment through partnerships with organizations and institutions that support the social inclusion and employment of people with disabilities.

As regards training, in 2014 LVMH launched "EXCELLhanCE", which benefits from support from AGEFIPH in the form of a partnership agreement. "EXCELLhanCE" enables people with disabilities to simultaneously obtain a degree, significant experience at the LVMH group's companies and expertise specific to the luxury industry. It is based on intensive dual work-study programs, lasting 12 to 24 months, in three professional fields: sales, logistics and human resource management. Candidates are selected using the "Handi-Talents" process, based on work-related simulation exercises. These innovative recruitment sessions make the hiring process more objective and serve to identify abilities and skills that can be transferred to the professional sphere. The first intake of sales advisors and inventory managers was in 2014, resulting in 64% of participants obtaining a vocational qualification in logistics or a BTS technical qualification in Management of Commercial Units in 2016. 74% of participants then continued to work for the group on a fixed-term or permanent contract or continued with their studies. The second intake was in fall 2016. Covering ten Group companies, this has allowed thirteen people with disabilities to enter employment on professional training contracts, most of them retraining in a new profession, still in the roles of sales advisor, inventory manager and human resources assistant.

As regards hiring new employees, LVMH uses mandatory anti-discrimination training to raise awareness at its companies of the importance of recruiting people from all walks of life, including those with and without disabilities. During testing for discriminatory practices, one of the criteria potentially tested for is disability. At the international level, several Group companies launched dedicated initiatives to hire people with disabilities in 2016: Aqua di Parma (Italy), Bvlgari (Italy), Fendi (Japan), Guerlain (Italy), Louis Vuitton (Italy, South Korea), Parfums Christian Dior (Italy, Japan, and Ukraine), Pucci (Italy), and Sephora (Spain).

When it comes to keeping people employed, Group companies offer solutions to enable employees with a declared disability to continue working, for example by adjusting their working conditions or helping them transfer to a different job. Job

preservation situations are usually handled on a case-by-case basis. For example, Hennessy has put in place a specially adapted transport system for a visually impaired employee. In March 2011, Moët & Chandon founded MHEA, a company that offers facilities adapted to employees with disabilities. A fully autonomous entity, MHEA maintains a disabled employment rate of 100% and provides the best possible working conditions for employees affected by disabilities, without any change in the terms of their compensation. In 2016, MHEA celebrated its fifth anniversary. During this time, the company has enabled a total of 41 people to work on fixed-term or permanent contracts and around ten of them to join one of the Group's champagne houses on a permanent contract.

LVMH works with organizations that support young people with disabilities in training programs, and with organizations that foster employment and social inclusion. The Group chairs ARPEJEH, a non-profit organization that brings together some sixty French companies to offer advice and guidance to junior and senior high school students with disabilities. Employees are involved in this initiative and more than sixty young people were able to take part in it in 2016.

LVMH also encourages its Group companies to develop their relations with companies that employ people with permanent or temporary severe disabilities, and provide them with special facilities and support (sometimes known as "sheltered" employment). Services entrusted to such employers equated to 6.6 million euros in 2016, up 7.5% relative to 2015. This purchasing volume represents 312 full-time equivalent jobs. Group companies' commitment in this area was also demonstrated through the signing of agreements with AGEFIPH at Veuve Clicquot and Parfums Christian Dior. Hennessy has had such an agreement in place since 2011; it was renewed for three years in 2016.

The first Disability & Responsible Purchasing trade fair was held at the Palais des Congrès in Paris on March 27, 2016, drawing more than 1,500 attendees. The Disability & Responsible Purchasing day is an opportunity for human resources staff to meet professionals working with disability issues, and focus together on direct recruitment and purchasing practices that facilitate employment for people living with disabilities. Over 70 sheltered workshops (*Établissements et Services d'Aide pour le Travail*) and disability-friendly employers (*Entreprises Adaptées*) were represented, organized into thirteen groups covering all sectors. In order to encourage the sharing of best practices and advice, a program of over 25 workshops and plenary conferences was provided covering three themes: awareness, responsible purchasing and direct employment.

This commitment helped raise the Group's employment of people with disabilities in France to 4.5% (sum of direct and indirect employment rates) as of end-2016, based on official standards for the definition of disabilities. Worldwide, people with disabilities make up 1% of the LVMH group's workforce.

6. EMPLOYEE PROFESSIONAL DEVELOPMENT

In order to be able to progress in the very wide variety of careers offered by LVMH, it is necessary to have qualifications that meet the requirements of the Group's companies. To bring together these requirements and the ambitions of its talented staff, around 60 programs have been developed by the Group's Executive Development & Learning teams.

In addition to the training programs provided by their individual companies, 4,000 managers were able to develop their skills, networks and careers in 2016 by taking part in one of the programs run by the five Regional Executive Development teams around the world. Furthermore, 6,000 staff became Group Ambassadors after trying out the "LVMH VIEW" online induction platform, where they learned about the Group's values and were able to develop their knowledge of the Group's companies and the products and services they offer.

Opening the eyes of talented staff to the wide range of careers on offer within the Group is one of the main aims of the human resources teams. Training portfolios are devised to allow participants to understand and then develop their career paths by means of specific individual skills, as well as more generally management and leadership training.

The many initiatives launched this year include new programs introduced in order to further develop the Group's retail expertise by means of forums for sharing best practices in France. These include the "Leadership Lab" forums launched in the United States for new General Managers and the very wide range of training programs offered to new graduates in Japan. Other projects such as extending the activities of Regional Executive Development teams in Asia to eleven new countries and the launch of a pan-European program on Creativity and Innovation have demonstrated the impact and effectiveness of the Group's human resources development activities. Lastly, an ambitious Brand Education initiative has been launched across Group companies covering three strategic areas: digital technology in training, sales skills and the impact of training.

Supporting digital transformation

The changes brought about by digital technology are having a profound impact on the behavior of both luxury consumers and LVMH group employees. In order to evolve in step with those changes, the Executive Development and Digital teams have built specific tools, which they have made available to Group companies.

An online training course called Digital Discovery has enabled more than 5,000 management staff to acquire a shared vocabulary and a core of critical skills for dealing with the implications of the digital revolution, including new tools, trends and customer behaviors, combined with insights into regional differences. This training explores all of the key topics selected with in-house experts, from the main functional job categories – marketing/communications, retail, and general management – to the five operational business groups.

Through another program, Digital Journey, the executive committees of Group companies are invited to attend a special session where they can draw inspiration from new ways of working, experiment with new technologies, familiarize themselves with new tools, and interact with stakeholders in the digital community.

Developing our senior managers

LVMH House, the LVMH group's development center for senior managers and high potential staff, offers initiatives that allow company executives to question their own working methods while also opening themselves up to strategic issues that they have previously not been exposed to.

The center, recognized for its excellence, allows senior managers and high potential staff to progress in terms of their personal development and be at the forefront of issues ranging from brand desirability to staff efficiency. Sharing of experience within programs that are systematically positioned as "forums" provides the opportunity to build on the wealth of different contexts for the Group's different activities and companies. LVMH House also offers bespoke programs for Management Committees, for example so that all members – regardless of their role – are able to work together to develop a consistent, effective and dynamic change management strategy.

Retail

The LVMH group wants to continue to develop its employees' retail skills. LVMH's retail network, which is one of a kind in both size and quality, serves as a foundation for customer relationships and brand experiences.

That is why retail support and sharing initiatives have been set up – designed globally but implemented locally – to give Group companies a helping hand on the ground.

A substantial portion of training also takes place on the job on a daily basis and is not factored into the indicators presented below:

	2016	2015	2014
Training investment (EUR millions)	125.6	110.6	98.2
Proportion of total payroll (as %)	2.6	2.4	2.4
Number of days of training per employee	2.2	2.2	2.2
Average cost of training per employee (EUR)	925	878	804
Employees trained during the year (as %)	61.4	61.4	59.2

Note: Indicators are calculated on the basis of the total headcount (employees under both permanent and fixed-term contracts) present at the workplace during the fiscal year, with the exception of the percentage of employees trained during the year, which is calculated on the basis of those employed under permanent contracts and present at the workplace as of December 31 of that year.

In 2016, training expenses incurred by Group companies throughout the world represented a total of 125.6 million euros, or 2.6% of total payroll. The average training investment per full-time equivalent person amounts to approximately 925 euros. In 2016, the total number of training days was 303,527,

equivalent to around 1,320 people receiving full-time training for the entire year. In 2016, 61.4% of employees received training and the average number of days of training was 2.2 days per employee.

The training investment is spread across all professional categories and geographic regions as presented in the table below:

	France	Europe (excluding France)	United States	Japan	Asia (excluding Japan)	Other markets
Training investment (EUR millions)	34.1	22.2	34.2	4.0	25.1	6.0
Proportion of total payroll (as %)	2.9	2.1	2.8	1.4	2.8	2.5
Employees trained during the year (as %)	56.3	59.5	75.2	47.9	57.8	59.6
Of which: Managers	61.1	72.6	35.5	49.5	67.3	61.0
Technicians and supervisors	67.2	65.7	41.9	51.0	57.9	65.0
Administration and sales personnel	58.6	61.6	88.3	47.5	57.0	59.9
Production workers	40.3	41.4	57.1	0.0	27.1	37.4

Note: Indicators are calculated on the basis of the total headcount (employees under both permanent and fixed-term contracts) present at the workplace during the fiscal year, with the exception of the percentage of employees trained during the year, which is calculated on the basis of those employed under permanent contracts and present at the workplace as of December 31 of that year.

Each Group company also holds face-to-face induction and awareness seminars for new hires focusing on its culture, its values, its key management principles and knowledge of its brands.

In 2016, 32,304 employees under permanent or fixed-term contracts attended these types of seminars.

7. HEALTH AND SAFETY

In 2016, there were a total of 1,257 work accidents resulting in leave of absence, which resulted in 40,689 lost working days. The frequency rate and severity rate are higher than in 2015, partly due to the acquisition of entities with a more exposed workforce, giving worse results.

Work accidents resulting in leave of absence by business group and geographic region broke down as follows:

		Number of accidents	Frequency rate ^(a)	Severity rate ^(b)
Breakdown by business group				
Wines and Spirits		119	8.14	0.28
Fashion and Leather Goods		223	3.52	0.11
Perfumes and Cosmetics		177	3.80	0.07
Watches and Jewelry		37	2.31	0.03
Selective Retailing		519	5.21	0.17
Other activities		182	22.37	1.11
Breakdown by geographic region				
France		674	13.28	0.45
Europe (excluding France)		256	4.36	0.09
United States		138	2.62	0.18
Japan		10	0.84	0.01
Asia (excluding Japan)		121	2.20	0.03
Other markets		58	3.08	0.07
LVMH group	2016	1,257	5.07	0.16
	2015	1,077	4.70	0.14
	2014	1,055	4.75	0.13

(a) The frequency rate is equal to the number of accidents resulting in leave of absence, multiplied by 1,000,000 and divided by the total number of hours worked^(c).

(b) The severity rate is equal to the number of workdays lost, multiplied by 1,000 and divided by the total number of hours worked^(c).

(c) The calculation of hours worked is based on the number of full-time equivalent employees present within the group as at December 31, 2016, and a ratio of 2,000 hours worked per full-time equivalent and per year. This theoretical calculation potentially underestimates the frequency rate by 10-15%.

In 2016, LVMH invested over 31.8 million euros in health and safety. This includes expenses for occupational medical services and protective equipment as well as programs for improving personal safety and health, such as compliance, the posting of warnings, replacement of protective devices, fire prevention training and noise reduction.

Expenditure and investment relating to working conditions totaled over 63 million euros, or 1.3% of the Group's gross payroll worldwide. A total of 37,658 Group company employees received safety training worldwide.

The skills and motivation of the Group's employees are what underpin the excellence of the products and services offered by its brands. Their working conditions must enable them to express those skills and motivation as best they can, and to feel fulfilled in carrying out their tasks. LVMH therefore raises awareness at its companies, via their human resources departments, of the importance of protecting employees' health and safety.

These issues come to the fore at employees' workstations and in their day-to-day working environment, which is why it is the responsibility of Group companies to implement health and safety policies.

Health, safety and ergonomics assessments, giving rise to structured action plans, are carried out at production sites, workshops and vineyards as well as stores and headquarters. Awareness-raising and training in workplace safety and risk prevention is expanding. Processes to improve workstation ergonomics are implemented, and workstations are redesigned so that employees can keep their jobs for as long as possible.

Work-life balance is another essential part of quality of life at work, and a focus area for Group companies. Workplace concierge services and childcare are becoming more widespread within the Group. At Louis Vuitton in Japan, young mothers of children aged under three benefit from an hour and a half reduction in their working day.

8. EMPLOYEE RELATIONS

8.1. Employee representation

At the Group company level

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

In 2016, employee representatives attended 1,818 meetings:

Type of meeting	Number
Works council	683
Employee representatives	554
Health and Safety Committee	325
Other	256
Total	1,818

As a result of these meetings, 143 company-wide agreements were signed. In France, in 2016, nearly all Group companies with stores in international tourist areas signed an agreement or unilateral commitment allowing them to open on Sundays on a continuous basis, in accordance with the Macron law.

8.2. Social and cultural activities

In 2016, Group companies allocated a budget of over 22.3 million euros (1.9% of total payroll) to social and cultural activities in France via contributions to Works Councils.

At Group level

The Group Committee was formed in 1985. This body, which covers the whole of France and currently has 27 members, has one full meeting every year. Delegates receive and exchange information on the Group’s strategic direction, economic and financial issues, and employment-related topics together with the Presidents of all the Group’s business groups.

At the European level

Over the past few years, the LVMH group has taken on a strong European dimension, and the conversion of its legal structure into that of an SE (Societas Europaea) was the natural extension of the economic reality of LVMH’s business. As part of this conversion, the Group formed a European Companies’ Committee, made up of 28 members from the 21 European countries where the Group has a presence. The rules for this representative body were laid down in an agreement that was signed unanimously on July 7, 2014, by the elected employee representatives from these 21 countries and by the Group’s Executive Management. In 2016, the Works Council met on April 7 during a plenary session. The next meeting will be held on April 7, 2017.

The Common European Companies’ Committee handles transnational issues at the European level. Alongside the Group Works Council, this body supplements the employee representation system made up of the Works Councils which, in keeping with the Group’s culture of decentralization, handle most employee-related issues.

The total catering budget for all Group employees is 22.3 million euros.

9. RELATIONS WITH THIRD PARTIES

The LVMH group has been a signatory of the United Nations Global Compact since 2003. The Global Compact and the Universal Declaration of Human Rights are the inspiration behind the Code of Conduct adopted by the Group in 2009 and widely disseminated among all employees. The Code of Conduct outlines the guiding principles for the Group’s conduct of its business and provides a set of rules for all to follow in their roles and responsibilities, with a special emphasis on the

high level of integrity demanded of everyone. LVMH has begun a review of its Code of Conduct, allowing it to reassert the beliefs and morals that constitute the Group’s guiding principles.

The Competition Law Compliance Charter, the Environmental Charter and the Suppliers’ Code of Conduct cover more specific areas.

9.1. Integrity

The Code of Conduct specifies in particular that LVMH prohibits any form of corruption, that the Group is concerned about preserving fair competition while complying with laws and practices in force, that its involvement in public life is in line with the rules of the relevant institutions, and that every employee must be vigilant in avoiding any conflict of interest.

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

9.2. Supplier relations

Suppliers are a key component of the LVMH group's value chain. As such, the Group places a priority on maintaining responsible relations with its partners, suppliers and subcontractors, and works to continually strengthen those relationships.

Group commitments and organization

Under the responsibility of Group Managing Director Antonio Belloni, the Operations, Environment, Social Development and Financial Communications Departments of LVMH are working together to raise awareness and coordinate efforts to help the Group's companies achieve progress in their relations with suppliers. A number of tools have been introduced to this end.

For example, in 2008, the Group implemented a Supplier Code of Conduct which sets out its requirements in the fields of social responsibility, the environment and the fight against corruption. The Supplier Code of Conduct has been disseminated to Group companies, and all relations with partners require that the partner in question undertake to comply with all ethical principles laid down in the Code.

In 2011, with the launch of the LIFE (LVMH Initiatives For the Environment) program, issues relating to supplies of key raw materials, the traceability and compliance of raw materials used and suppliers' social and environmental responsibility were factored into the Group's strategy.

In 2012, the Group implemented a decision support tool to help identify suppliers that might need to be audited. The methodology used enables each Group company to identify high-risk suppliers on the basis of a number of criteria including the purchasing category, the strategic importance of the products in question, and the supplier's degree of financial dependency and geographical location.

Since 2014, Group companies have incorporated the LIFE program into their strategic plans, which include environmental and social targets in relation to suppliers. Lastly, in 2016, the LVMH group set out its targets for 2020, aiming in particular to ensure observance of environmental best practices in the upstream supply chain.

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

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

External and internal support actions

Supplier support actions

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

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

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

Sharing best practices internally

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

Since 1992, the LVMH Environmental Committee has gathered together environment officers from the various Group companies to talk about internal and external best practices, including those relating to suppliers. A Supplier Sustainability Meeting has been held every year since 2005, bringing together the Purchasing, Environment, Legal and Internal Control Departments of the various Group companies. All of the Group's business activities

are represented at these meetings, which provide a forum for Group companies to present their plans, actions and progress on sustainable and responsible purchasing, and to share best practice at Group level. At the 2015 meeting, the decision was made to set up working groups specific to each business group to ensure that actions plans better reflect their specific issues and characteristics. The aim is to identify the most sensitive procurement categories for each activity and increase their level of maturity in terms of responsible purchasing.

Supplier assessment processes

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

Measures taken by business groups on priority issues

The Group's Fashion and Leather Goods companies have developed a number of initiatives relating to materials and supplies that are considered key. Four priority product categories have been identified as concerning all Group companies:

- **leather:** in collaboration with Centre Technique du Cuir, Louis Vuitton has developed an environmental audit tool based on 30 questions covering the major risks relating to tanneries. While Louis Vuitton set itself the target of auditing 80% of Tier 1 and 2 tanneries in 2016, its aim for 2017 is to adapt the tool and roll it out to dyeing activities. In terms of animal well-being, transparency, traceability and guarantee of origin are the fundamental requirements that Group companies endeavor to meet, while also ensuring with their partners that best practices are adopted in leather production, as well as wool and fur. Group companies systematically share the Business for Social Responsibility (BSR) network's Animal Sourcing Principles with their suppliers. LVMH is also a member of several working parties involved in the adoption of best practices within networks like BSR for fur, the Responsible Ecosystems Sourcing Platform (RESP) for snakeskin and the Leather Working Group (LWG) for cattle hides;
- **fabric:** LVMH and its Group companies continue to strive to obtain sustainable cotton supplies. For example, Thomas Pink made major changes to its cotton purchasing. In 2016, 60% of cotton used by the company came from BCI (Better Cotton Initiative) suppliers. For 2017 and beyond, Thomas Pink's aim is to increase its procurement of supplies that meet this standard;
- **chemical products** (particularly in metal parts): LVMH has put in place an in-house standard, the LVMH RSL (Restricted Substances List), which prohibits the use of hazardous substances in items brought to market, as well as their use by suppliers. This standard, rolled out to all Fashion and Leather Goods

companies, includes the most stringent regulatory requirements and anticipates future regulations. It also allows suppliers to better understand their obligations and adopt an approach based on ongoing improvement;

- **finished and semi-finished products:** Loewe has finalized its risk mapping adapted to ready-to-wear fashion, putting the emphasis on subcontractors. In collaboration with Made-By, Loewe has developed a questionnaire and management system designed to obtain detailed supplier profiles, as well as mapping of its subcontractors.

The Wines and Spirits business group has identified a number of priority areas to ensure sustainable development in its activities. This plan of action is centered on meeting environmental, social and societal targets in the areas of:

- **transportation:** the aim is to reduce the environmental footprint of Group companies by increasing the ratio of transportation by sea and rail, as well as stepping up the use of compressed natural gas (CNG) vehicles for the transportation of finished products;
- **packaging:** all new packaging developments are to be eco-designed and monitored using the Environmental Performance Index (EPI). This indicator measures environmental impact and aims to reduce it on an ongoing basis;
- **advertising materials:** 100% of at-risk suppliers have been audited in Europe and Asia. The aim is to extend this policy to all countries where relevant.

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

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

- **diamonds and precious metals:** in 2016, exhaustive mapping was carried out of supplies obtained directly and indirectly from subcontractors;
- **colored gemstones:** in March 2016, the RJC announced that it had added colored gemstones to its certification scope. Bvlgari is a member of the working party on defining a standard to be included in RJC certification in partnership with NGO The Dragonfly Initiative.

Within the Selective Retailing business group, Sephora has identified two major procurement categories: indirect procurement and procurement on behalf of its private label, S+. In 2016, Sephora identified suppliers deemed to be at risk in terms of social and environmental factors for both of these procurement categories. In Europe, social audits covered 100% of at-risk factories, while at the same time Sephora increased the number of environmental audits of at-risk suppliers, with the aim of auditing 80% in 2017 and 100% in 2020. By 2020, all high-risk suppliers worldwide will have undergone social and environmental audits for both of these procurement categories.

Auditing and monitoring our suppliers

At Group level, 1,205 social and/or environmental audits were carried out in 2016 – more than 80% of them by specialized external service providers – at 942 of the Group's suppliers. Of these audits, 48% related to both social and environmental criteria. 46% of audits carried out were in line with the Group's requirements, 32% found minor instances of non-compliance, 16% highlighted a need for significant improvement by suppliers and 6% found major instances of non-compliance.

Non-compliance issues identified related primarily to Health & Safety. In all, 188 corrective action plans were put in place following these audits.

The use of preliminary audits also enabled better advance identification of supplier practices, resulting in decisions to refrain from working with certain potential suppliers.

The number of follow-up audits increased in 2016, showing that Group companies regularly monitor their suppliers and support them in their efforts to improve.

In some cases, LVMH and/or some Group companies had to terminate existing relationships with suppliers whose social audit findings revealed major instances of non-compliance with LVMH's Code of Conduct. There were 25 such cases in 2016.

In the interest of continued improvement in this area, in 2017 Group companies will continue to audit suppliers and follow up on action plans as well as developing synergies arising from the Group's membership of Sedex. The Group will also endeavor to strengthen its working parties by business sector in order to take better account of their specific characteristics and requirements.

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

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

(b) Including Africa.

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

9.3. Impact of the business on local communities in terms of employment and regional development

LVMH follows a policy of maintaining and developing employment. Thanks to the strong and consistent growth achieved by its brands, many sales positions are created in all countries where the Group is present, particularly as a result of the expansion of the brands' own retail networks.

Non-disciplinary layoffs – including those due to economic conditions – represented only 3.2% of total departures.

A number of Group companies have been established for many years in specific regions of France and play a major role in creating jobs in their respective regions: Parfums Christian Dior in Saint-Jean de Braye (near Orléans), Guerlain in Chartres, Veuve Clicquot and Moët & Chandon in the Champagne

region, Hennessy in the Cognac region and Louis Vuitton in the Drôme region. They have developed long-standing relationships with local authorities, covering cultural and educational aspects as well as employment. Sephora, which has stores throughout France (two-thirds of its workforce is employed outside the Paris region), regularly carries out a range of measures encouraging the development of job opportunities at the local level.

As major employers in several labor markets, Group companies are attentive to the social particularities of their regions and have forged partnerships, as described below, with associations and non-governmental organizations to promote the social inclusion and employment of underprivileged populations.

9.4. Engaging with local communities

LVMH encourages its Group companies to support the causes it feels are most important, which include ensuring access to education for young people, promoting the social inclusion and employment of jobseekers, and helping the most vulnerable communities. LVMH thus puts its values to work in society, to ensure the successful integration of its Group companies and their activities at the local and national levels.

Helping young people get an education

The same focus on excellence that has enabled the Group's companies to succeed drives our efforts to provide educational opportunities for young people. Following the Group's lead, the Group's companies have developed numerous partnerships with schools located near their sites or further away. To promote equal opportunities in access to word-class education, LVMH supports the priority education program run by the Institut d'Études Politiques (Institute for political studies, or Sciences Po Paris), which offers grants to students and gives young Sciences Po graduates the chance to be mentored by managers of the Group. In 2016, LVMH renewed its support for a further five years and Chantal Gaemperle was sponsor for students beginning the course. Sephora supports "Toutes à l'école", an NGO that promotes education for young girls in Cambodia. During the festive year-end period, Sephora sells a dedicated item through its store network, with all proceeds going the organization.

Keen to do more, in 2014 LVMH launched the Institut des Métiers d'Excellence (IME). IME is a vocational training program that helps the Group ensure its expertise is successfully passed on by encouraging younger generations to pursue careers in the fields of craftsmanship, design and sales. It is designed to meet the standards of our Group companies' and help fulfill their current and future needs.

In 2014, IME signed its first partnership agreements with BJO Formation, the ECSCP Paris couture school and the Compagnons du Devoir et du Tour de France organization, opening LVMH apprenticeship programs at these three institutions in jewelry making, *couture flou* and leatherworking respectively.

In 2015, IME entered into new partnerships with Avize Viti Campus, EMA Sup Paris and the École Boule arts and design continuing education program, opening four new LVMH course tracks in couture tailleur, wine and winemaking, sales and retail design, with the number of apprentices growing from 28 to 99.

In 2016, IME entered into a new partnership with Ferrandi Paris to open a mixed course in baking, pastry-making, catering and cooking, and launched its first international program with the LVMH École d'Horlogerie watchmaking school in Switzerland. Around 200 apprentices have benefited from training thanks to IME and its partner schools since 2014, with a graduate placement rate of 90% at the end of 2016, 63% of whom were placed at LVMH. With the opening of new courses and its new partnerships, IME now offers 15 training programs in France and Switzerland.

As a signatory of the Apprenticeship Charter, the Group devotes considerable efforts to the development of apprenticeship opportunities, which facilitate young people's access to qualifications.

As of December 31, 2016, there were more than 1,179 young people working under apprenticeship or professionalization contracts (including the Institut de Métiers d'Excellence) at all of the Group's French companies.

Lastly, LVMH has developed a partnership with Clichy-sous-Bois and Montfermeil, two adjacent suburbs of Paris with young, diverse populations. Driven by a shared commitment to excellence, this partnership helps facilitate employment for young people from underprivileged neighborhoods and social cohesion. Young people benefit from a wide range of initiatives: "business discovery" internships for nearly 60 middle school students in 2016, visits to Group companies, internships for vocational school students, career orientation, etc. The fair presenting work-education positions on offer at the Institut des Métiers d'Excellence is held in Clichy-sous-Bois-Montfermeil. The Group also sponsors the "Cultures et Création" parade that showcases the region's creative talent. LVMH invests in the future by offering masterclasses for young people and holding meetings with the Group's designers and craftspeople (including, in 2016, visits to the "Volez, Voguez, Voyagez – Louis Vuitton" exhibition at the Grand Palais and to Le Bon Marché). The Group awards a "Jeune Talent" (Young Talent) trophy to one young but underprivileged fashion enthusiast, helping winners gain wider recognition within the profession. The 2016 winner, Camille Boillet, got to exhibit her designs at Greenshowroom, a trade fair dedicated to environmentally responsible fashion that was held in Berlin from June 28 to 30, 2016. Camille Boillet showcased a design suited to all body shapes and types of disability. Since the program was launched, a number of young people have had the opportunity to join Group companies under a long-term work-study program at Paris's couture union school, and in 2016, the 2013 winner joined Christian Dior's Haute Couture workshop.

Facilitating access to employment and social inclusion for jobseekers

LVMH actively supports access to employment. In France, the Group has forged a lasting partnership with "Nos Quartiers ont des Talents", an organization of which it is a Board member. The organization offers young graduates from underprivileged backgrounds the chance to be mentored by an executive or manager working at the Group. In 2016, 100 experienced managers participated as mentors and, as of the end of 2016, 71 are still participating. Since 2007, 468 young people have found jobs after being mentored by a Group employee.

To speed up access to employment, LVMH has put in place "Jobstyle" sessions. These job coaching sessions are led by Group company recruiters and beauty consultants from Make Up For Ever and Sephora. The goal is to give job candidates all the resources they need to fully prepare for a job interview and develop their self-confidence. The program is aimed at groups that are underrepresented in the labor market, supported by our partners who are active in the fields of education, disability and integration. In 2016, 11 sessions were held, benefiting over 150 people followed up by the Group's partners (Force Femmes, Nos Quartiers ont des Talents, etc.).

In the same spirit of bringing together companies and jobseekers, Parfums Christian Dior initiated the “2 000 emplois, 2 000 sourires” job fair, held on May 12, 2016. The fair was organized at the Cosmetic Valley business cluster in France, and aimed to put young people and jobseekers in direct contact with recruiters at companies in the region. Employment advice was provided and 500 applications were received. In a further example, Veuve Clicquot et Krug signed their third partnership agreement with Pôle Emploi. Continuing with a collaboration of over 15 years that started in 1998, the two partners wanted to renew their commitment to helping jobseekers in northeastern France’s “Grand Est” region, as well as their considerable and coordinated involvement in all stages of the recruitment process and skills development.

Helping those in need

The efforts of LVMH and its Group companies to assist disadvantaged local communities go beyond corporate philanthropy and may include, for example, employee volunteering, donations of products or financial aid.

Following the earthquakes that shook central Italy in the summer and fall of 2016, LVMH’s Italian companies – Aqua di Parma, Bvlgari, Fendi and Loro Piana – mobilized funds to support the people affected and help to rebuild the areas struck.

In January 2016, Louis Vuitton launched an international partnership with the United Nations International Children’s Emergency Fund (UNICEF), raising 2.5 million US dollars to support child victims of war and deprivation in Syria and Nigeria.

In 2015, Benefit launched Bold is Beautiful, a beauty fund-raising campaign to support projects spearheaded by women. During the month of May, all the proceeds generated by the brand’s Brow Bars were donated to charities that empower women and girls around the world. In 2016, Benefit teams in Australia, Canada, France, Ireland, Singapore, Spain, the Middle East, the United Kingdom and the United States took part. The twenty charities supported all contribute in some way to promoting women’s autonomy and self-confidence. “Look good,

feel better,” for example, helps women undergoing treatment for cancer to regain their confidence and self-esteem. The charity organizes small group beauty and makeup workshops to allow them to enjoy a shared moment of well-being and closeness. “Dress for Success” helps women to achieve economic independence by providing a support network, professional attire and tools to develop their careers. Benefit raised 3.4 million US dollars during the 2016 Bold is Beautiful campaign thanks to the participation of 209,000 people.

In 2009, Bvlgari decided to get involved with Save the Children. Since then, it has donated more than 50 million US dollars and 700,000 customers have bought the company’s “Save the Children” jewelry. More than one million children benefit directly from the programs supported and more than 100 projects have been launched in 33 countries around the world. The partnership is supported by 275 celebrities. Bvlgari also involves its employees, with more than 250 having visited Save the Children projects on the ground.

All of these partnerships and charitable initiatives are celebrated at the Engaged Maitons Dinner. This occasion also raises funds for the Robert Debré Hospital in Paris, the leading center for sickle cell anemia, to which LVMH has donated over 500,000 euros since 2011 to improve patient care and further research work. LVMH also supports causes that are close to its heart:

- Coucou Nous Voilou, a charity that improves everyday life and conditions for sick children and teenagers staying at pediatric hospitals. It is now able to provide them with Abracadabox’s colorful superhero-themed plastic boxes to hide perfusion equipment;
- Kelina, which works to provide care for mothers and children in Benin. Money donated has helped to build a maternity unit in north-west Benin, in a region with limited medical facilities;
- K d’Urgences, which provides human, social and financial support for single-parent families in France.

9.5. Sponsorship

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

In 2016, LVMH continued to demonstrate its commitment to contemporary design, in particular by renewing its support

for two iconic events in the arts world: in spring, Monumenta (featuring the work of Huang Yong Ping), and in the fall, Nuit Blanche. LVMH also renewed its support for the Odéon-Théâtre de l’Europe in Paris to create “Phaedra(s)” starring Isabelle Huppert. Furthermore, a highlight of the development of Fondation Louis Vuitton’s artistic program and activities is the exceptional success of the “Icons of Modern Art: The Shchukin Collection” exhibition, which opened on October 20, 2016, and has been unanimously hailed in France and worldwide as a major artistic event. Since its inauguration in October 2014, the Fondation has hosted more than 2.5 million visitors.

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

Finally, the Group has supported many institutions recognized for their initiatives in support of children, the elderly and people with disabilities and for the prevention of major causes of suffering and exclusion. In 2016, LVMH supported a number of foundations and research teams engaged in cutting-edge public health research. In particular, LVMH sponsors the Institut de la Vision for the design and implementation of an innovative research program into vision and access to art for the visually impaired, developed in close collaboration with the Musée d'Orsay.

10. COMPLIANCE WITH INTERNATIONAL CONVENTIONS

Taking each individual and his or her freedom and dignity, personal growth and health into consideration in each decision is the foundation of a doctrine of responsibility to which all Group companies adhere.

Accordingly, all Group companies have policies for equal opportunity and treatment irrespective of gender, race, religion and political opinion, etc. as defined in the standards of the International Labor Organization. This culture and these practices also generate respect for freedom of association, respect for the individual, and the prohibition of child labor and forced labor.