

# 2016 Social Responsibility Report

CSR Young Talent Award

mille Boillet



LVMH

MOËT HENNESSY • LOUIS VUITTON

This 2016 Social Responsibility Report describes the LVMH group's corporate social responsibility (CSR) policy, approach and initiatives. For additional information on the LVMH group's social responsibility data, please refer to the cross-reference tables on page 73.

*Cover photo: presentation of the designs of Camille Boillet, winner of the Young Talent award at the "Cultures et Création" fashion show during Greenshowroom in Berlin.*

This document is a free translation into English of the original French "*Rapport responsabilité sociale 2016*", hereafter referred to as the "2016 Social Responsibility Report". It is not a binding document. In the event of a conflict in interpretation, reference should be made to the French version, which is the authentic text.

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## KEY EMPLOYEE-RELATED INDICATORS FOR 2016

	2015	2016
<b>Number of employees</b>	125,346	134,476
		Up 7.3%

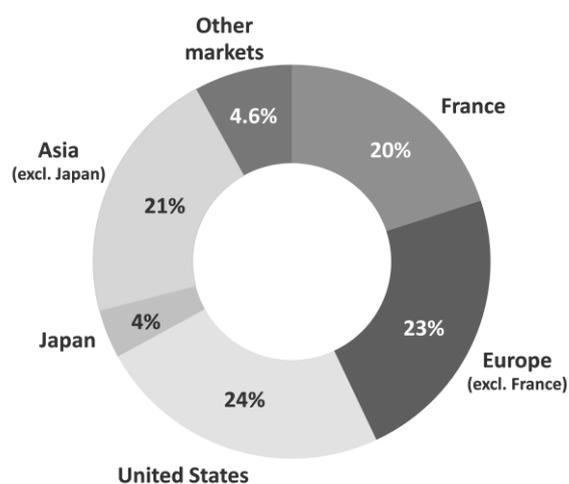
	2015	2016
<b>Number of employees hired on permanent contracts</b>	27,227	33,477
		Up 22.9%

(EUR millions)	2015	2016
<b>Personnel costs</b>	5,991.8	6,408.4
		Up 6.5%

	2015	2016
<b>Net permanent job creation</b>	3,687	8,692
		Up 136%

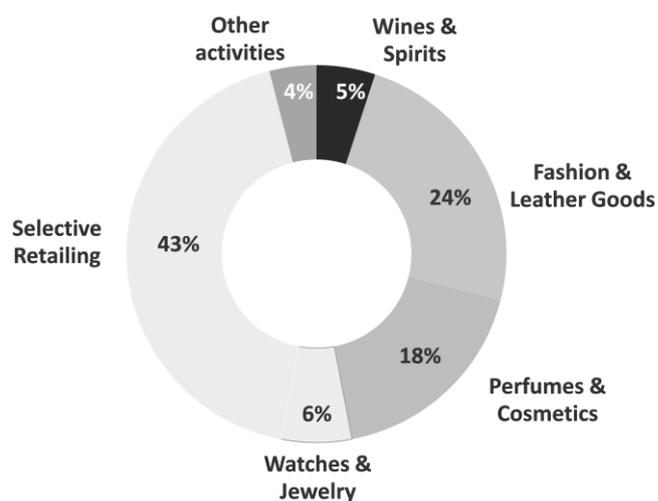
### Employees by geographic region

\* As % of total workforce on fixed-term and permanent contracts as of 12/31/2016

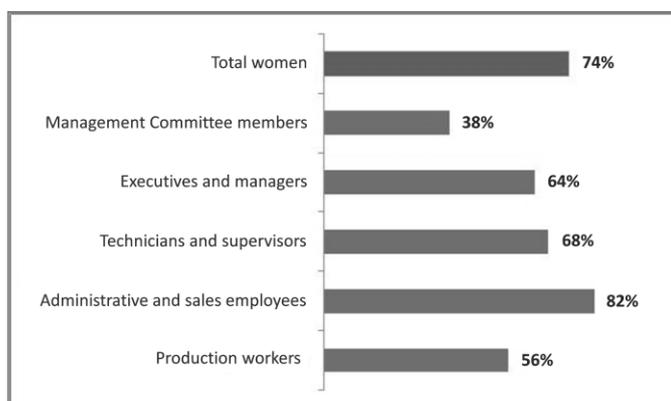


### Employees by business group

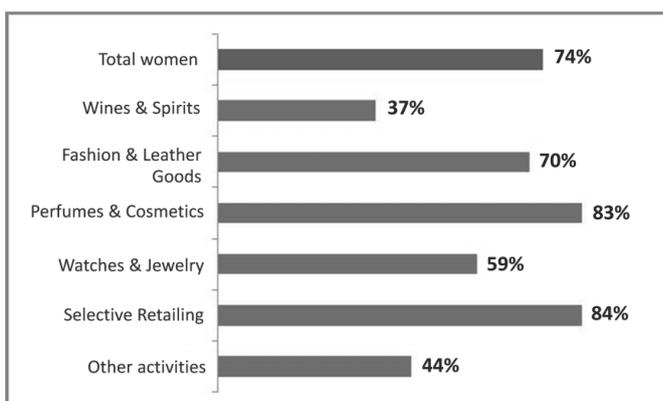
\* As % of total workforce on fixed-term and permanent contracts as of 12/31/2016



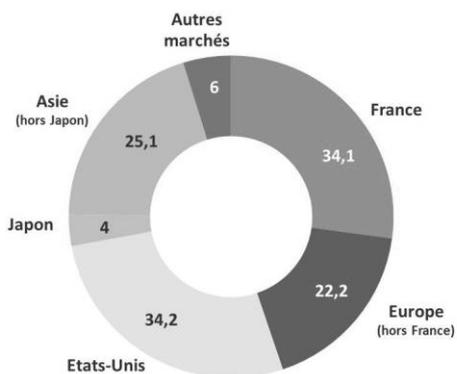
### Breakdown of female employees by professional category



### Breakdown of female employees by business group



**Training investment in 2016**  
(EUR millions)



**Training overview in 2016**

<b>Training investment</b>	Up 13.5%
<b>Number of people who completed safety training</b>	Up 8.5%
<b>Number of young people on apprenticeship or work-and-training contracts</b>	1,179
<b>Days of training</b>	Up 7.5%

**The LVMH group and its companies' main schools and training centers**

Institut des Métiers d'Excellence (LVMH)		
School of leather goods (Louis Vuitton)	Leather crafts training center (Loewe)	Massoli Academy (Fendi)
École Boucicaut (Le Bon Marché)	Académie de l'Art des Métiers (Loro Piana)	Academy of Expertise (Berluti)
Fine watchmaking workshop (Bvlgari)	LVMH watchmaking school (TAG Heuer et Zenith)	Fontaines Parfumées (Louis Vuitton and Parfums Christian Dior)

**Main partner training organizations, schools, universities and chairs**

École Bouille, École de la Chambre Syndicale de la Couture, FERRANDI Paris, LVMH's Institut des Métiers d'Excellence		
École Centrale Paris, MINES ParisTech, Arts et Métiers ParisTech ENSAM, Icam	ESSEC, HEC, EM Lyon, Grenoble EM, EDHEC, ESCP, NEOMA Business School	Central Saint Martins (London); Parsons School of Design (New York); Institut Français de la Mode; Institut Technique Supérieur du Textile, de l'Habillement et de la Mode (Biella); Institut Marangoni; École Duperré; École Ferrières; INESCOP; CEW
Universities: Bocconi (Milan); LUISS (Rome); Ca' Foscari (Venice); Catholic University (Milan); Singapore Management University; St. Gallen	École Polytechnique Fédérale de Lausanne, Polytechnic University of Turin, Polytechnic University of Milan	

Proportion of employees with disabilities	
France	Worldwide
4.5%	1%

Value of services entrusted to sheltered and disability-friendly sectors in France	Up 6.5%
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Amount spent on improving health and safety and working conditions	Up 16.6%
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Number of managers who took advantage of internal mobility opportunities within the Group in 2016	2,500
Senior management vacancies filled through internal promotions	74%

Employees aged 50 and up	
France	Worldwide
24.2%	13.5%

# HIGHLIGHTS OF 2016

## JANUARY 2016



January 22: LVMH joins forces with ESSEC to create the *Savoir-Faire d'Exception* Chair.

## FEBRUARY 2016



February 13: LVMH sponsors the Montfermeil *Cultures et Création* fashion show for the sixth year running.

## MARCH 2016



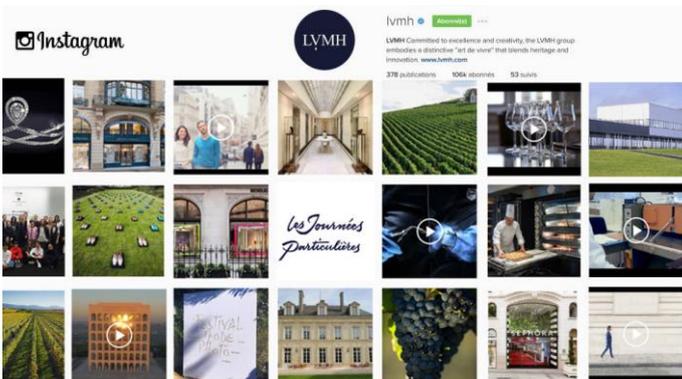
March 14: the first Disability & Responsible Purchasing trade show, organized by Groupe Les Echos in association with LVMH and the Société Générale group.

## MARCH 2016



March 29: IME opens its temporary village in Clichy-sous-Bois and Montfermeil offering opportunities to find out about *Métiers d'Excellence* (expert professions).

## MAY 2016



May 20-22: 145,000 visitors attend the third *Journées Particulières* open-house event.

## JUNE 2016



LVMH launches a brand new mentoring program with the co-founders and pilots of Solar Impulse.

**JUNE 2016**



Winners of the 2016 LVMH Prize for Young Fashion Designers, on June 16.

**JULY 2016**



June 30–July 2: LVMH opens the doors of its Luxury Lab at the Viva Technology expo.

**SEPTEMBER 2016**



Sergei Shchukin at the Fondation Louis Vuitton: portrait of a visionary patron of modern art.

**OCTOBER 2016**



October 18: new academic year opening ceremony at the Institut des Métiers d'Excellence.

**NOVEMBER 2016**



EllesVMH Connect: a brand new digital initiative bringing together 2,000 employees in 22 countries.

**DECEMBER 2016**



December 7: fourth Dîner des Maisons engagées (Committed Companies Dinner) at the Palais Brongniart.

## EXTERNAL RECOGNITION

LVMH is a signatory of the United Nations Global Compact and in November 2016 published its COP (Communication On Progress) in respect of the “GC Advanced” level



### ① Non-financial ratings

At the end of 2016, the LVMH group was selected for an “unsolicited rating” in the main indices based on ESG (Environmental, Social and Governance) criteria:

- LVMH has been a member of the Euronext Vigeo Eurozone 120 index since it was launched in June 2013, replacing the ASPI Eurozone index (Advanced Sustainable Performance Index).



- In September 2016, LVMH was confirmed as a member of the FTSE4Good Global 100.



FTSE4Good

- On October 25, 2016, LVMH was confirmed as a member of the updated Excellence Europe Ethibel Sustainability Index (ESI).



- On February 23, 2016 and February 1, 2017, LVMH was once again awarded Forum Ethibel’s “Ethibel Excellence” seal of approval. This award recognizes the companies that have shown the strongest CSR commitment and are likely to figure in the investment registers of SRI (socially responsible investment) funds.

On June 30, 2015, LVMH was selected by OFI Asset Management in the *Impliqué* (engaged) category among the 43 companies in its OFI Leader ISR (SRI leader) portfolio.



### ② Employer rankings

For the 11th year running, the **Universum** study, which was published in early April 2016, ranked LVMH as the preferred employer for students at business and management schools.



For the eighth consecutive year, LVMH was ranked top of the **Trendence Graduate Barometer** and remained the most attractive company for students from French business schools in 2016.



In 2016, the LVMH group received the Randstad Award for the most attractive company in the “Consumer Goods Industry” category in France.



# FOUNDATIONS OF THE GROUP'S SOCIAL RESPONSIBILITY POLICY

## *The LVMH group's long-standing values*

Forged over generations by alliances between Group companies – weaving together their traditions of excellence and creative passion – LVMH has built its leading position on a unique portfolio of iconic brands. These Group companies derive their energy from their exceptional heritage, innovative mindset, and receptive outlook. The Group supports their development in a spirit of entrepreneurship, long-term vision, and respect for the sources of their strength and uniqueness.

As ambassadors of an authentic *art de vivre*, it is our responsibility to set the right example in every aspect of our business, from product design to the experience that customers have throughout their relationships with our brands; from investment choices to social and environmental initiatives.

Because what we do requires a diverse range of talent, we are committed to training teams that embody excellence. Because passing on skills is an integral part of our culture, we want to use that to promote social inclusion and employment. Because our crafts make the most of nature at its purest and most beautiful, we see preserving the environment as a strategic imperative.

The values and actions encompassed by our sustainable development attitude emerge from a tradition that dates back to the origins of our Group companies and forms an integral part of our heritage. Our long-term success depends not only on the Group's solid business model and profitable growth strategy, but also on our unwavering commitment to creativity, excellence and sustainability in all of our development and corporate citizenship goals.

The fundamentals of LVMH's performance are built on our employees' wealth of expertise, creativity and entrepreneurial spirit; the quality and durability of our products; the remarkable social, cultural and relational capital built up by the Group's companies; and the Group's longstanding strong reputation for excellence and responsibility.

Valuing talent and expanding corporate social responsibility	▶	<b>PEOPLE:</b> Encouraging all our employees to reach their full career potential and achieve their aspirations. Developing diversity and the wealth of human resources at our companies in all the countries where we operate, and encouraging initiatives in these areas. Contributing to the knowledge and preservation of our crafts outside our company in addition to our own expertise as artisans and designers.
Combining business growth and compliance with sustainability criteria	▶	<b>BUSINESS PERFORMANCE:</b> Combining business growth and sustainability with commitments to creativity and excellence. Applying our creative passion to the <i>art de vivre</i> to which our customers aspire. Strengthening our position as a global leader, and being the benchmark for managing and developing high-quality brands.
Supporting innovative sponsorship	▶	<b>CORPORATE CITIZENSHIP:</b> Implementing a patronage program for the widest possible public benefit which reflects and transmits our fundamental values. Providing active support for major causes, humanitarian projects and public health programs, and developing initiatives in support of art and young people.
Working together to preserve the planet's resources	▶	<b>ENVIRONMENT:</b> Working together to preserve the planet's resources, to design and develop products that are compatible with environmental concerns, reporting on our policies and projects and the progress achieved in meeting our objectives. Contributing to environmental protection above and beyond factors directly related to our operations by entering into active partnerships with cooperating businesses, local government and non-profit organizations.

## Diverse business lines

The wide diversity of LVMH's six business sectors is one of the things that makes our Group unique. It is both a great strength and a challenge. Unlike all its competitors, LVMH is the only group to bring together such a broad range of business areas.

<p><b>Wines &amp; Spirits</b></p>	<p>▶ The LVMH Wines &amp; Spirits business group focuses its growth on the high-end segments of the market. The world leader in champagne, LVMH also produces still and sparkling wines from the world's most famous wine-growing regions. The Group is also the world leader in cognac with Hennessy and is expanding its presence in the luxury spirits segment in addition to its historical business. The portfolio of brands is served by a powerful international distribution network.</p>
<p><b>Fashion &amp; Leather Goods</b></p>	<p>▶ Louis Vuitton, Fendi, Donna Karan, Loewe, Marc Jacobs, Céline, Kenzo, Givenchy, Thomas Pink, Pucci, Berluti, Rossimoda and Edun are the brands that form the Fashion &amp; Leather Goods business group. This outstanding group of brands from both sides of the Atlantic has 1,566 stores throughout the world. LVMH supports the growth of these brands by providing them with shared resources, while at the same time respecting each one's individual identity and creative positioning. In 2013, the business group welcomed Loro Piana, a paragon of excellence, renowned for its devotion to quality and the finest materials.</p>
<p><b>Perfumes &amp; Cosmetics</b></p>	<p>▶ LVMH, a major player in the perfumes, makeup and skincare sector, relies primarily on a portfolio of brands comprised of French companies with an international presence: Christian Dior, Guerlain, Givenchy and Kenzo. The Group also supports the development of high-potential brands: Benefit and Fresh, two rapidly-growing American brands; Acqua di Parma, whose fragrances symbolize Italian elegance; Parfums Loewe, one of the leaders in the Spanish market; and Make Up For Ever, a firm favorite of professional makeup artists which has recorded outstanding growth by opening its doors to the general public.</p>
<p><b>Watches &amp; Jewelry</b></p>	<p>▶ LVMH's Watches &amp; Jewelry companies – among the most dynamic brands on the market – operate in two segments: high-quality watchmaking on the one hand and jewelry and fine jewelry on the other. A quest for excellence, creativity and innovation guide them in this area every day. The watchmaking side capitalizes on the complementary positioning of its brands: TAG Heuer's international stature, Hublot's strong dynamic of innovation, Zenith's age-old expertise and Dior's creativity. In jewelry and fine jewelry, Bvlgari, Chaumet, Fred and De Beers employ their bold creativity and perfectly mastered skills to constantly surprise their customers and offer them the objects of their desire.</p>
<p><b>Selective Retailing</b></p>	<p>▶ LVMH's Selective Retailing companies operate in Europe, America, Asia and the Middle East. Their operations are conducted in two segments: retailing designed for customers who are international travelers (travel retail), with DFS and Starboard Cruise Services, major players in their markets; and the selective retailing concepts represented by Sephora, the most innovative company in the beauty segment, and Le Bon Marché Rive Gauche, a department store with a unique atmosphere located in Paris.</p>
<p><b>Other activities</b></p>	<p>▶ Being ambassadors for culture and a certain <i>art de vivre</i> is the driving force behind the companies in this business group. That approach is part of the quest for excellence pursued by each of these Group companies: from Groupe Les Echos, which includes key business and cultural press titles, to Royal Van Lent, which markets custom-designed yachts under the Feadship name, and Cheval Blanc, which is developing a collection of exceptional hotels.</p>

## Main social responsibility issues

Each of LVMH’s six business groups is unique, but they are all united by a shared view of their social responsibility, for which key priorities have been drawn up and tested over the past few years through dialogue between the Group and its stakeholders.

For each business group, social trends and changes have been identified that characterize both the unique characteristics of each group and the key points common to all business areas.

Social trends and developments	Internal social responsibility issues	Business groups particularly affected
<ul style="list-style-type: none"> <li>▪ Longer working life and managing interpersonal relationships</li> <li>▪ Increased competition for rare skills in a globalized market</li> </ul>	<ul style="list-style-type: none"> <li>▪ Recruiting and retaining talent</li> <li>▪ Safeguarding and passing on expertise and strategic skills</li> <li>▪ Innovation management</li> </ul>	<ul style="list-style-type: none"> <li>▪ Fashion &amp; Leather Goods</li> <li>▪ Watches &amp; Jewelry</li> <li>▪ All business groups</li> </ul>
<ul style="list-style-type: none"> <li>▪ Need for inclusion and social cohesion</li> </ul>	<ul style="list-style-type: none"> <li>▪ Connecting businesses with organizations that promote employment and socially engaged/responsible entrepreneurship</li> </ul>	<ul style="list-style-type: none"> <li>▪ All business groups</li> </ul>
<ul style="list-style-type: none"> <li>▪ Stricter requirements, standards and regulations</li> <li>▪ Development of new tools / continuous performance improvement</li> </ul>	<ul style="list-style-type: none"> <li>▪ Employee health and safety</li> <li>▪ Workplace ergonomics</li> <li>▪ Stress management</li> </ul>	<ul style="list-style-type: none"> <li>▪ Wines &amp; Spirits</li> <li>▪ Perfumes &amp; Cosmetics</li> <li>▪ All business groups</li> </ul>
<ul style="list-style-type: none"> <li>▪ Fighting discrimination and promoting diversity</li> <li>▪ Expectations for work/life balance</li> </ul>	<ul style="list-style-type: none"> <li>▪ Preventing discrimination</li> <li>▪ Parenting and needs for new services</li> <li>▪ Well-being at work</li> </ul>	<ul style="list-style-type: none"> <li>▪ All business groups</li> </ul>
<ul style="list-style-type: none"> <li>▪ Tourism and highly mobile customers</li> <li>▪ Emotional appeal of products and acute need for in-store customer experience</li> </ul>	<ul style="list-style-type: none"> <li>▪ Organization and flexibility of working time</li> <li>▪ Managing the impacts of seasonality (boutiques, grape harvests, etc.)</li> <li>▪ Supporting employee engagement</li> </ul>	<ul style="list-style-type: none"> <li>▪ Selective Retailing</li> <li>▪ Wines &amp; Spirits</li> <li>▪ Boutiques in other business groups</li> </ul>

## Social responsibility strategy

### Four priorities

Based on an analysis of the challenges facing the Group and interactions with its stakeholders, LVMH has identified four priorities for all its companies: developing talent and skills, constant attention to working conditions, preventing all forms of discrimination, and community engagement to help local populations. These four priorities form the foundation of the Group's social responsibility initiatives throughout the world.

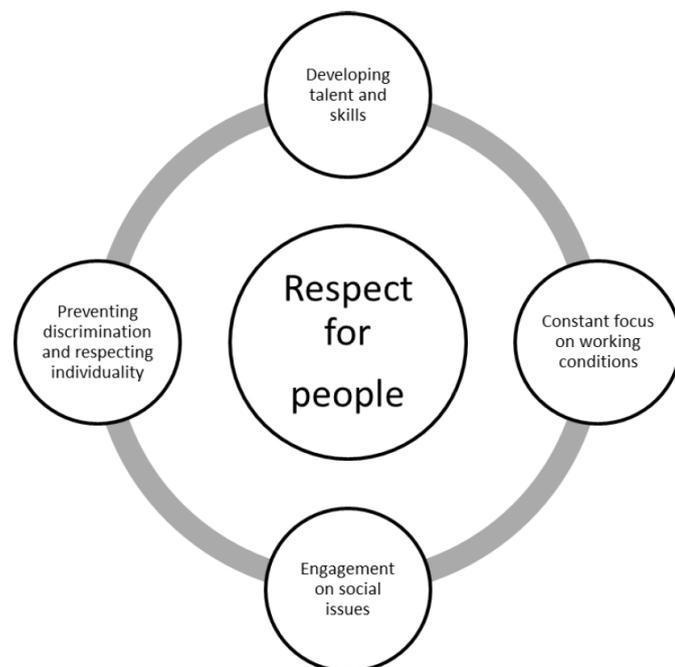
The four priorities of social responsibility are:



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 implement their approach independently and in coordination with the Group, in accordance with their business, their own human and societal issues and their local contexts.

As part of its annual reporting, the LVMH group sends all its Group companies a qualitative questionnaire that includes the following question: "What are your CSR priorities?" All the Group companies with a significant impact on Group reporting, totaling more than 40 entities, showed once again that the four social responsibility priorities defined by the Group were indeed taken into account.

Lastly, dialogue and collaboration between business groups and among Group companies is vital. It has made it possible to identify the Group's key human resource management issues, which are often shared and interconnected.



## LVMH's international commitments

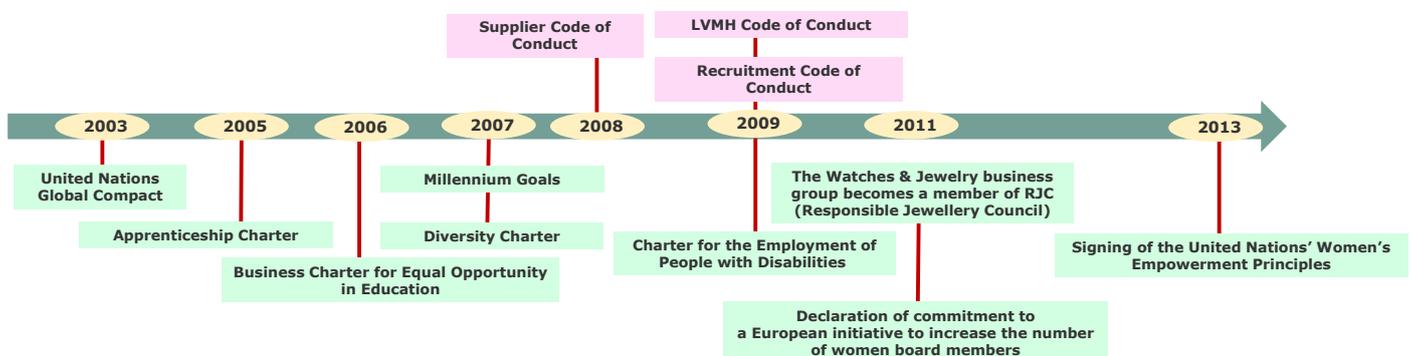
The international charters and commitments signed by LVMH provide the framework for the actions and responsibilities of the Group and its companies.

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

These commitments are reaffirmed in the LVMH Code of Conduct adopted by the Group in 2009 and widely disseminated among all employees. The Code of Conduct is a cornerstone of our ethical and sustainable development approach, and provides a common benchmark to ensure consistency and continuous improvement in our practices. It 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 involved. Furthermore, a task force has been created to continue raising Group standards in these fields and anticipate future developments in legislation. Its first task was to submit to the Executive Committee a proposal to revise the Code of Conduct that would define unacceptable behavior and corresponding sanctions and, if necessary, put in place whistle-blowing alert procedures. In addition, in a reflection of the Group's commitment to these values and principles, which undoubtedly contribute to its long-term success, the Board of Directors decided to establish an Ethics and Sustainable Development Committee. The Committee will work specifically on ethics and sustainable development issues and support senior management in these areas.

Taking each individual and his or her freedom and dignity, personal growth and health into consideration in each decision is the foundation of a doctrine of responsibility to which all Group companies adhere. Accordingly, all Group companies have policies for equal opportunity and treatment irrespective of discriminatory factors such as gender, race, religion or political opinion, as defined in the standards of the International Labor Organization. This culture and these practices also generate respect for freedom of association, respect for the individual, and the prohibition of child labor and forced labor.

### CSR milestones \*



\* For more information on the Group's environmental policy, please refer to LVMH's 2016 Environmental Report.

- LVMH's Internal Charters and Codes
- Public undertakings by LVMH

## Process and project momentum

The corporate social responsibility strategy and actions are initiated and coordinated by the Group.

LVMH policy is structured by a number of different elements:

- general key processes ensure that the issues associated with each strategic priority are addressed and the objectives met;
- each process is based on a number of tools and partnerships defined at the Group level;
- Group companies also develop their own initiatives to ensure that local and activity-specific considerations are fully taken into account.

This comprehensive approach helps ensure credibility and effectiveness and reflects the momentum that is steadily gathering throughout the Group, as demonstrated by the following projects and initiatives:

	<b>Developing talent and skills</b>	<b>Managing well-being at work</b>	<b>Preventing discrimination and respecting individuality</b>	<b>Supporting local communities and regional development</b>
<b>Key processes in Group involvement</b>	- Annual organizational and talent review.	- Investments to improve working conditions. - OHSAS 18001 certification.	- Recruitment Code of Conduct. - Discrimination testing. - AGEFIPH partnership.	- Open innovation investments and processes related to site location. - Management initiatives.
	- Apprenticeship charter.		- Diversity Charter. - Charter for the Employment of People with Disabilities. - United Nations' Women's Empowerment Principles.	- Business Charter for Equal Opportunity in Education.
	Collective agreements and discussions with employee representatives.			
<b>Overarching projects and support tools</b>	- Partnerships with teaching organizations - Training, exchange and internal mobility programs. - Institut des Métiers d'Excellence (IME) and promoting apprenticeships.	- Brainstorming on common core employee benefits.	- Non-discrimination training. - EllesVMH program - EXCELLhanCE program and <i>Handi-Talents</i> process. - Support for <i>Mission Handicap</i> .	- Multiple partnerships and events. - Employee engagement and mentoring.
	- Internal support: Social Development Department, CSR Commission, Voices, LVMH Mind, etc. - Participating in national and international events.			
<b>Initiatives, types of action and Group company partnerships</b>	- Specific in-house training centers and schools. - Partnerships with specific educational organizations.	- H&S action plans. - Working time arrangements and work/life balance. - Building design and quality.	- Partnerships with disability-friendly companies and sheltered workshops. - Disability-friendly facilities (e.g. MHEA).	- Impact of our Group companies' local ties. - Multiple sponsorship and partnership initiatives.
	- Surveys carried out with Group company employees (strategic plan, satisfaction, engagement, etc.) - Commitment to a range of annual events (well-being at work, disability, jobs, parenting).			

## ***Coordinating our approach***

### **Defining and monitoring our strategy**

In keeping with its history, its size as a major international corporation, and the very different characteristics of its business lines, LVMH's organization is both unified and decentralized. While the Group's development is consolidated around its common social responsibility principles, methods and action plans, the opportunities and risks arising from specific social contexts need to be managed locally by each Group company. As such, social responsibility is managed at Group level by means of guidelines (such as the LVMH Code of Conduct and the Recruitment Code of Conduct) and annual reporting based on quantitative and qualitative data. At Group company level, social responsibility-related matters are managed by the Human Resources Department. Each HR Department appoints a CSR correspondent who liaises with LVMH, ensures that his or her company's actions are consistent with Group policy, and handles CSR reporting.

At Group level, strategic priorities and overall policy consistency are pursued through ongoing dialogue within the CSR network between these correspondents and the Social Development Department, which reports to Chantal Gaemperle, the Group's Director of Human Resources and Synergies. 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. It is coordinated by a network of Group company correspondents. In 2016, the CSR network met in Paris on March 10 and July 19.

### **Monitoring by the Ethics and Sustainable Development Committee**

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

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

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

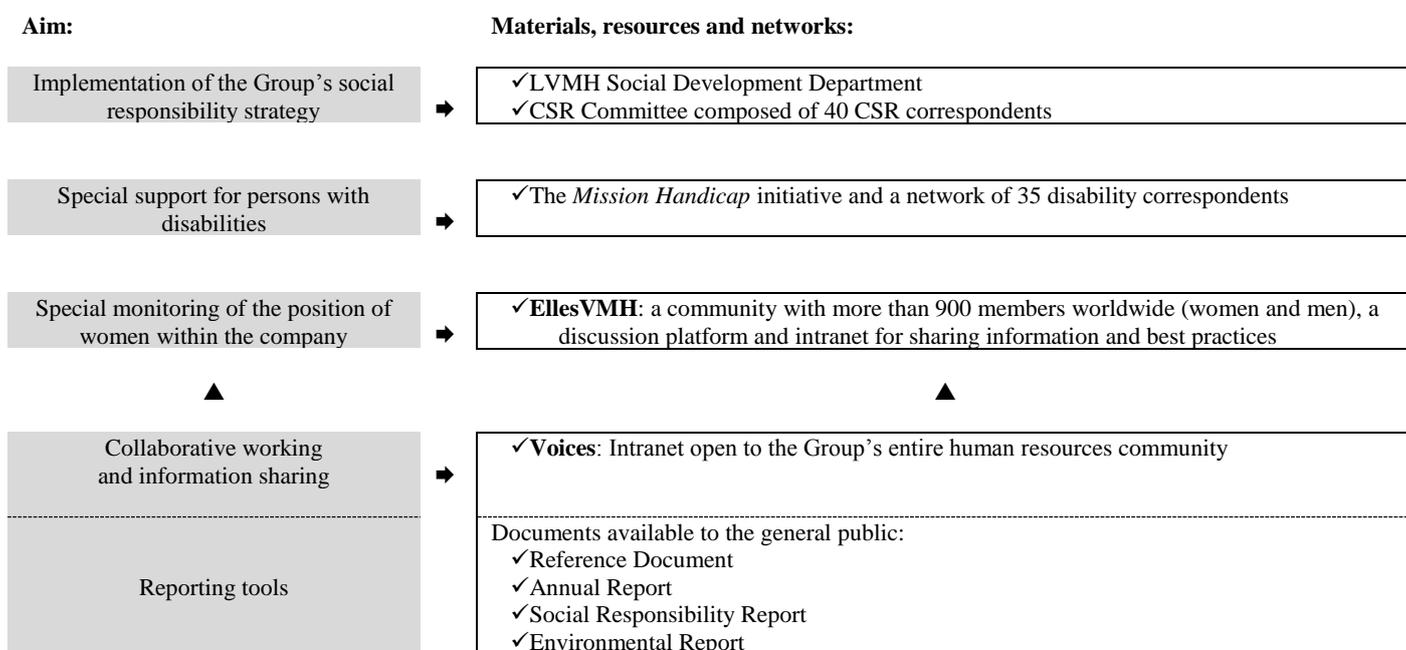
The Committee met once during the year, with two of its members in attendance. Noteworthy items of business included the Director of Legal Affairs presenting the proposed revision of the Group's Code of Conduct.

## Operational implementation

Operational implementation is the responsibility of LVMH’s Social Development Department and is monitored as part of international CSR reporting arrangements covering all Group companies.

This reporting enables an annual inventory to be produced of the social responsibility measures taken over the previous twelve months. It 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 reports on its social responsibility policy and actions in the Annual Report and the Reference Document, supplemented since 2012 by its Social Responsibility Report. In parallel, since 2013 – particularly as a result of the specific French regulations resulting from the Grenelle II Act – some Group companies have developed their own social responsibility reports, including Loewe, Parfums Christian Dior, Guerlain, LVMH Fragrance Brands and Le Bon Marché.



## ***Relationships with stakeholders***

Throughout the year, LVMH fosters dialogue and relationships with its stakeholders. The Group answers their questions and provides them with a range of information, particularly concerning its social practices related to its activities. This dialogue is structured in very different ways depending on the circumstances.

Employees are made aware and kept informed of CSR issues via the Group's social media pages, its website and its Voices 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.

As regards other stakeholders, the table below provides a simplified overview of the main types of relationship forged by LVMH. They differ depending on the issues pertaining to the Group as a whole, the business groups, Group companies, and each geographic area.

## Types of stakeholder relationships (excluding partnerships)

Type of stakeholder	Regularly throughout the year	Occasionally (depending on projects and requests)
<b>Internal stakeholders</b>		
	<p>Relationships and dialogue with employee representative bodies: Joint European Company Works Council (SEWC), Group Works Council and individual company Works Councils.</p> <p>Health and Safety Committees.</p> <p>Special employee networks (e.g. EllesVMH).</p>	<p>Collective bargaining agreements on specific subjects.</p> <p>Satisfaction surveys and measuring employee engagement.</p>
<b>External stakeholders</b>		
States, multi-lateral institutions, government departments, local government and supervisory bodies.	<p>Relations resulting from Group companies' many interactions relating to international, national and local regulations of all kinds.</p> <p>Relations with regulators (such as the Autorité des Marchés Financiers, France's financial markets regulator).</p> <p>Various reporting requirements (work accidents, occupational illnesses, taxes, etc.).</p>	<p>Signing undertakings (on diversity, apprenticeships, etc.).</p> <p>Trialing best practices.</p> <p>Involvement in projects connecting various parties within a given locality.</p>
Investors, shareholders and non-financial ratings organizations.	<p>Shareholders' Meetings and Shareholders' Club In conjunction with the Financial Communications Department:</p> <ul style="list-style-type: none"> <li>- attending roadshows (financial and non-financial analysts).</li> <li>- responding to rating agencies' ESG (Environmental, Social and Governance) questionnaires.</li> </ul>	<p>Occasional requests from investors, asset managers and ratings organizations (in conjunction with the Financial Communications Department).</p> <p>Involvement in conferences, working groups and public discussions.</p>
<b>Other external stakeholders</b>		
Contractual. (See also the "Partnerships" table)	<p>Managing customer relationships.</p> <p>Relationships with suppliers, subcontractors and commercial partners</p> <p>Statutory auditors and other external auditors.</p> <p>Certification bodies.</p> <p>Membership in expert and academic groups.</p> <p>Membership in industry and market organizations (such as employers' unions and trade federations).</p>	<p>Handling customer complaints.</p> <p>Supplier and subcontractor questionnaires and audits.</p>
Non-contractual.	<p>NGOs, public interest bodies.</p> <p>Consumer organizations.</p> <p>The media.</p>	<p>Occasional or subject-based NGO and consumer organization campaigns.</p> <p>Relations with local community organizations, depending on plans to set up new sites/facilities.</p>

## The LVMH group's main partnerships

In parallel with the types of relationships maintained with stakeholders, the Group's corporate partnerships are shown separately. Showing such formal partnerships separately reflects their specific features given the resulting commitments for all parties concerned.

<p>CSR (Corporate Social Responsibility)</p>	<p>LVMH is a member of ORSE (<i>Observatoire sur la Responsabilité Sociétale des Entreprises</i> – Observatory of Corporate Social Responsibility)</p> 
<p>Non-discrimination</p>	<p>LVMH has been a member of AFMD (<i>Association Française des Managers de la Diversité</i> – French Association of Diversity Managers) since 2013, serving on its board of directors since 2014 and on its executive committee since 2015.</p> <p>► See “③ Preventing discrimination and respecting individuality”</p> 
<p>Disability</p>	<p>AGEFIPH agreement (LVMH, Parfums Christian Dior, Veuve Clicquot). The Group's companies are committed to the LVMH EXCELLhanCE project: LVMH, Parfums Christian Dior, Veuve Clicquot, Benefit Cosmetics, Le Bon Marché, Berluti, Louis Vuitton, Make Up For Ever and Chaumet.</p> <p>LVMH co-founded the ARPEJEH charity (supporting the educational goals of students with disabilities) in 2008, and has chaired it since 2012.</p> 
<p>Suppliers</p>	<p>LVMH is a member of Sedex.</p> 
<p>Developing skills and preserving expertise</p>	<p>Partnership with a number of specialist schools and educational establishments</p> <p>► See “① Developing talent and skills”</p>
<p>Helping disadvantaged individuals find work</p>	<p>Partnership in Clichy-sous-Bois and Montfermeil</p> <p>► See “④ Supporting local communities and regional development”</p> 
<p>Helping underprivileged populations</p>	<p>► See “④ Supporting local communities and regional development”</p>
<p>Medical research and support for people with illnesses</p>	<p>► See “④ Supporting local communities and regional development”</p>



## 1. DEVELOPING TALENT AND SKILLS

*Identifying and recruiting talent, along with preserving strategic skills and sharing our values, are decisive elements in the short-, medium- and long-term success of the LVMH group and each of its entities. 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.*

### **Recruitment – a key moment**

**The LVMH way** ► As the Group’s companies develop in constantly 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.

LVMH was ranked the **number-one preferred employer** among business school students in France for the eleventh consecutive year in the 2016 Universum poll.

**33,477** people were hired on permanent contracts (an increase of 22.9% between 2015 and 2016), including 4,000 in France (up 19.8% year-on-year) and 11,038 in the United States (up 16.3%).

**7,782** people were hired on fixed-term contracts in France. The seasonal sales peaks at the end-of-year holiday season and the harvest season are two main reasons for using fixed-term contracts.

The overall turnover rate (**20.5%**) was lower than in previous years (21.8% in 2015 and 20.9% in 2014). It varied widely between geographic regions. The highest rates were recorded in North America, Asia and Other markets, where labor markets are more fluid.

Voluntary staff turnover also fell slightly over the past four fiscal years, going from 15.8% in 2013 to **15.2%** in 2016.

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, and has put in place action plans to achieve this goal.

### **Special ties with schools**

Boosting appeal among the younger generation The LVMH group wanted to strengthen its ties with the younger generation by creating “Inside LVMH”, which was held on November 22, 2016. The event was designed to give 220 students from Europe’s top business, engineering and design schools access to the Group and some of its companies. It was an opportunity for close discussion on the topic of innovation and luxury. The day was divided into three parts: a morning small-group session providing an in-depth

introduction to 16 of the Group's companies (including Berluti, Louis Vuitton, Parfums Christian Dior, Make Up For Ever, Moët Hennessy and Chaumet), an afternoon group workshop on innovation at the Group's head office, and an evening at the Fondation Louis Vuitton. Students were welcomed by Chantal Gaemperle, who talked about how integral the passing on and sharing of knowledge is to the Group's human resources policy. Bernard Arnault then gave a presentation of his vision for the Group and the opportunities it offers. At the end of the masterclass, guests could visit the "Icons of Modern Art: The Shchukin Collection" exhibition. The event was a real success, receiving very positive feedback from the universities, students and Group employees involved. The students that attended made connections that will help them consider a potential career with the Group.

## **Partnerships initiated by the Group**

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

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

In January 2016, ESSEC launched the new *Savoir-Faire d'Exception* Chair as part of its luxury track, with support from LVMH. Represented by Dom Pérignon, the Group is supporting the creation of this Chair promoting exceptional expertise. Every year, the Chair enables some twenty students to learn about the challenges connected to these singular skills and strategies to ensure their international reach. Future managers, investors, craftspeople and entrepreneurs have the opportunity to take part in research programs in partnership with the LVMH group and Dom Pérignon in particular.

In March 2016, the LVMH group entered into a five-year partnership with Bocconi University in Milan to create a new academic Chair dedicated to luxury and fashion management. The Chair, which is called the LVMH Associate Professorship, has been assigned to Professor Emanuela Prandelli and is tasked, in particular, with meeting the new challenges faced by luxury goods companies in the digital age. The new Chair was launched at the 2016 LVMH Days, a two-day event organized at Bocconi University to give students the opportunity to learn more about the Group. The first edition of the "LVMH Challenge" was also launched at the event. Student teams competed against one another to come up with the best solutions to a real-life challenge taken directly from the Loro Piana business. A number of internships at the company were offered to the winners. The students were then invited to take part in the "LVMH Recruiting Date," a networking session with the human resources managers from 11 Group companies.

## Specific partnerships developed by Group companies

Building bridges with schools is seen to be of such strategic importance that many of the Group's companies, Berluti for example, have appointed dedicated partnership managers who also represent their companies at partner school forums. The human resources team at Louis Vuitton is building distinct partnerships for each of its business areas: headquarters, industry and retail. The company took part in 34 school forums under the aegis of the LVMH group and in another 20 events in its own right. Among the actions that marked 2016 were the Supply Chain Hackathon and increased visibility with IT schools.

Loro Piana is another example. The company organized more than 25 events in 2016 in partnership with the most prestigious international universities, business schools and technical colleges. In conjunction with LVMH, Loro Piana participated in European trade fairs organized by ESSEC, ESCP, Carrefours HEC, CEMS, CentraleSupélec, the Polytechnic, Catholic and Bocconi universities in Milan, LUISS in Rome, and the Ca'Foscari University of Venice. Loro Piana also cultivated specific partnerships with the Polytechnic University of Turin, the Higher Technical Institute of Textiles and Fashion in Biella, the AlmaLaurea Inter-University Consortium and the LIUC in Castellanza. In 2016, Loro Piana also launched the first edition of the "Loro Piana Knit Game" with the Istituto Marangoni in Milan, the École Duperré in Paris and Central Saint Martins in London to enhance its reputation and attract new talent. In the United States, Loro Piana is pursuing its partnership with the Parsons New School for Design in New York and with the universities of Columbia and Alabama. A workshop was organized with the City University of Hong Kong to identify and recruit the best students from its design and business programs. In Italy, Bvlgari launched a new partnership with the Sant'Anna School of Advanced Studies in Pisa to finance the tenth Master's program on environmental management and audit in a circular economy and the efficient use of resources. Rossimoda formed partnerships with the Politecnico Calzaturiero and with the Ca'Foscari University of Venice to attract talent and reinforce the image of LVMH as an employer of choice.

Acqua di Parma organized several conferences over the year to attract the best talent from the top universities and business schools in Italy: Bocconi University in Milan, LUISS in Rome, Ca'Foscari in Venice and the Catholic and Polytechnic universities of Milan. The LVMH Days held at Bocconi University in Milan in March 2016 ended with a presentation from the Group Managing Director, Antonio Belloni, and a networking event with 250 students. Fresh is building a partnership with Cosmetic Executive Women (CEW), the leading international network for beauty industry professionals, which supports the career development and fulfillment of managers and future managers in the beauty industry, as well as offering networking opportunities and providing insight into the profession.

Hublot is continuing its partnership with the École Polytechnique Fédérale de Lausanne (EPFL).

In Wines & Spirits, Hennessy supports the wine-growing professions on an ongoing basis through Viti Campus. Under this initiative, Hennessy works in partnership with the region's wine-growing and wine-making schools, invites students to an open day and provides grants to students with a project in the wine industries. In 2016, Hennessy reinforced ties with partner schools at a number of forums including those hosted by ICAM, ESCP, École des Mines and École Centrale Paris. Since 2015, Moët Hennessy and École Ferrières have joined forces in a partnership to help cultivate excellence in hotel management, gastronomy, wine and luxury programs. Located 25 kilometers from Paris, the newly inaugurated school opened its doors on November 3, 2015. Lastly, digital entrepreneurship was the focus of a new collaboration with Telecom Paris Tech. Veuve Clicquot and Krug participate in events at Paris Dauphine University and at NEOMA Business School, which is mainly based in Reims.

## **Building a digital presence**

In addition to its partnerships and on-campus presence, the LVMH group has also developed new digital tools to reach a wider audience of students, optimize the job application experience and encourage a diverse pool of candidates to apply.

Special emphasis was placed on its reputation as an employer, focusing in particular on describing its “ecosystem” on social media, especially LinkedIn, the world’s largest professional network. This year, according to a survey of this leading professional networking site, LVMH was ranked France’s most attractive employer. These new digital tools help reach a wider audience of students while streamlining the job application experience and encouraging a diverse pool of candidates to apply.

Examples of these highly innovative initiatives include the “InMind” application (for digitizing CVs submitted on student forums), virtual job forums, pre-recorded video interviews and an online presence on websites such as jobteaser.com.

## **Identifying the next generation of designers**

Alongside the key partnerships forged with schools and universities, the LVMH group aims to encourage and develop the talent of the next generation of designers. With this in mind, in 2014 LVMH created a benchmark award: the LVMH Prize for Young Fashion Designers. Following in the footsteps of Thomas Tait in 2014 and Marques Almeida in 2015, and after a thousand applications had been whittled down to a final selection of 23 designers, the jury awarded the third edition of the prize to Grace Wales Bonner for her menswear brand Wales Bonner. She was awarded €300,000 and a year’s mentoring from an LVMH team. Given the extremely high level of the competition, the jury decided to award a special prize to Vejas Kruszewski for his ready-to-wear label Vejas. The special prize winner received €150,000 and will also receive a year’s mentoring.

In June 2016, Loewe launched a new prize to reward excellence in craft design: the “Loewe Craft Prize.” The Spanish company’s foundation launched the prize in a reaffirmation of its commitment to safeguarding the skills and knowledge of craftsmanship. The Loewe Craft Prize aims to promote the ties that exist between craft and modern culture across all disciplines. The prize rewards work that reinterprets traditional techniques in an artistic, contemporary vision that demonstrates a real desire to innovate. It also recognizes accuracy of craftsmanship, respect for the materials used and the functional and aesthetic value of the creations. For the first edition of the prize, a jury made up of well-known names from the worlds of design, architecture, industry, journalism, art criticism and museums will select the winning piece from the work of 14 finalists. Their entries will be displayed at an exhibition in Madrid in May 2017 that will then tour the world. The 2017 Loewe Craft Prize laureate will win €50,000.

## Employer brand recognition

The LVMH group's determination to give itself the means to reinforce its image as an employer of choice is aimed at meeting its companies' increasing demand for top talent. In 2016, the LVMH group was cited as students' preferred employer in France in a number of rankings and also received the **Randstad Award** for the most attractive company in its category in France.

For the 11th year running, the **Universum** study, which was published in early April 2016, ranked LVMH as the preferred employer for students at business and management schools. To produce the study, Universum France surveyed 43,214 students from 127 schools studying in 109 different fields. Between October 2015 and February 2016, participants responded to a questionnaire that provided insight into their professional ambitions and the attractiveness of employers in France. The study revealed that the students and young professionals were considering new criteria when assessing future employers. These included "an inspiring assignment and vocation" and "motivational management," which was considered the second most important factor after an "attractive and exciting line of products and services."

For the eighth consecutive year, LVMH was ranked top of the **Trendence Graduate Barometer** and remained the most attractive company for students from French business schools in 2016. The study, which was conducted by the German Trendence Institute, measures the attractiveness of employers among students in over 30 countries. Conducted in France across 200 learning centers on 27,000 students in partnership with the magazines *L'Express* and *L'Etudiant*, the study reveals the criteria prioritized by students when deciding which companies they would most like to work for. Interesting assignments, career development opportunities and a good atmosphere at work remain at the top of the young generation's list of priorities.

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

## ***Employee professional development***

**The LVMH way** ► Managed by the human resources department in close collaboration with line managers, the annual review of the Group's organization and talent pool is the backbone of the LVMH group's human resources policy. It provides an opportunity to put together a training offering tailored to meet key market challenges and employee needs, while also providing for a range of career paths.

**€125.6 million** invested in training worldwide, up 13.5% from 2015 to 2016.

**2.6%** of total payroll.

**€925** per full-time equivalent employee, up 5.3% from 2015 to 2016.

**61.4%** of employees received training.

**303,527** days of training (totalling 2,124,689 hours), an increase of 7.5%.

**2.2** days of training per person on average.

**20,511** hours devoted to environmental training, up 20.3% from 2015 to 2016.

**37,658** people received safety training, up 8.5% from 2015 to 2016.

**32,304** employees on permanent or fixed-term contracts completed a Group company orientation seminar, up 7.5% from 2015 to 2016.

**2,500** managers took advantage of internal mobility opportunities within the Group in 2016, representing nearly 11% of permanent management-level staff.

**74%** of senior management vacancies were filled through internal promotions.

In a group that is intrinsically decentralized, the human resources department is responsible for promoting cross-functional skills exchange and cooperation, while supporting the career development of the Group's talent through coherent, comprehensive practices. Human resources coordination is expanding to new frontiers in Latin America and Oceania, supplementing existing mobility committees in areas where the Group has a long-standing HR presence (Europe, the United States, Japan and elsewhere in Asia).

### **Career paths within an international group**

Each of our Group companies has forged its own culture, which is closely linked to its identity and strategy. Each one also has a Group-related dimension, which is a powerful means for engaging our employees. In our regions and in some countries, we already have programs in place for inducting new employees, sharing the wealth of our ecosystem with them and helping build team spirit. 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. With more than 2,500 internal transfers of management personnel during the year, the Group reaffirmed its commitment to developing a diverse range of international career prospects.

### **Foundational tools and processes**

The annual strategic Organizational Management Review of the Group's talent pool and organization is a cross-disciplinary initiative that involves all Group companies and subsidiaries, aimed at identifying internal talent and ensuring succession to key positions. As part of this review, mobility meetings are held between

Group companies and different regions to help provide an array of succession options. The review is 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.

Human resource managers at Group companies around the world have also developed close working relationships, in particular through regular talent reviews. Specific working groups are now in place for retail, digital, finance and supply chain jobs, in addition to the 53 internal transfer review boards for various 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. The Group has made internal mobility – whether geographic or cross-functional – one of the pillars of its human resources policy. LVMH Human Resources has always prided itself on offering a wealth of career development options and international opportunities. The Group’s ecosystem provides an environment that is particularly conducive to career development, with its diversity of business lines and professional roles, the number of brands operated and the Group’s international dimension enabling employees to build individualized career paths and gain new skills, expertise and experience. All employees can take an active role in their own career development using the MOVE internal job board, which can be accessed from anywhere in the world via the Group intranet. As a result, 74% of senior management vacancies have now been filled through internal promotions.

We take special care to get to know our employees and to foster their professional development. The personalized support they receive has been improved by upgrading the quality of career discussions and annual appraisals, with training for human resources managers and line managers worldwide.

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. Managers naturally play a key role in cultivating this type of organizational and career development. This skill is now a criterion by which they are systematically assessed at their annual performance and career reviews.

## **Focused on results**

Each Group company holds its own 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.

At Louis Vuitton, the induction day is a key step for all new external recruits and internal transferees, and an opportunity for the company to share its CSR commitments. The induction process for work-linked training students and interns has been improved by introducing a passport and booklet containing a host of practical information about the company and its CSR commitments.

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

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 creativity and innovation program – 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.

## **Awareness and training programs**

A diverse selection of training programs is available to management and non-management employees for career development at the Group's boutiques, manufacturing facilities, and administrative offices. No matter how diverse the businesses and teams concerned may be, the LVMH group and its companies always design their training activities with the aim of satisfying business requirements as well as personal expectations regarding career development.

In 2016, training expenses incurred by Group companies throughout the world represented a total of €125.6 million, or 2.6% of total payroll. Investment was 13.5% higher than in 2015 (€110.6 million) and 80% higher than in 2011 (€69.8 million). The average training investment per full-time equivalent person amounted to approximately €925. In 2016, the total number of training days was more than 303,527, equivalent to around 1,320 people receiving full-time training for the entire year. In total, 61.4% of employees received training in 2016 and the average number of days of training was 2.2 days per employee.

Some Group companies, such as Céline, have more than doubled the number of training hours offered to employees: the level of participation in training rose from 52% in 2014 to 73% in 2016. In France, in accordance with regulations, the Group's companies introduced personal training accounts at the end of 2015, replacing the individual training entitlement.

## **Retail-specific challenges**

Another challenge involves expanding the retail skills of the Group's global organization. LVMH's retail network – which is unique in terms of both size and quality – is a key component in the Group's 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.

In 2016, Le Bon Marché continued to offer three-day induction seminars to all new employees, including a module dedicated to service excellence and customer care. Employees under a fixed-term contract and working students were also able to participate. In total, 300 employees qualified to attend a seminar in 2016. Another highlight of 2016 was the launch of the first École Boucicaut reserved exclusively for the sales force, with the creation of an employee development center and bespoke training programs to cultivate individual potential, particularly in managerial skills. Similarly, Chaumet has begun rolling out *Signé Chaumet*, an international training course on the new approach to in-store customer experience.

At Loro Piana, induction seminars are organized worldwide to spread the company culture and, in addition, store managers in Asia are being invited to join an induction program in Milan. The program aims to familiarize them with Italian culture and lifestyle. The most recent program also included South Korean store managers.

The “Elegance and Styl” training course is being deployed worldwide to reinforce awareness on company culture among retail teams and deepen their understanding of the brand's style heritage. Regional training has been developed to address local specificities in retail such as closing a sale in China. Similarly, workshops to investigate and identify the needs and desires of customers have been organized in each region. A program on presentation including videos and direct sessions completes the initiative. Coaching has also been a major focus with the SELFIE program, which offers in-store coaching on sales techniques. Sales managers are coached through a combination of internal training courses and LVMH seminars, depending on local needs. In total, more than 120 training sessions have been held across the world.

## Digital training

The changes brought about by digital technology are having a profound impact on the behavior of both luxury consumers and LVMH group employees. 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. Through another program, Digital Journey, the management committees of Group companies can attend a special session to draw inspiration from new ways of working, try out new technologies, familiarize themselves with new tools, and interact with stakeholders in the digital community. 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.

There are also regional initiatives. Bvlgari, for example, surveyed all its employees to assess their skills and knowledge in digital technology. The results of the survey will highlight employees' needs, enabling Bvlgari to develop a needs-based, ad hoc training module to develop digital skills.

The *Les Echos* newspaper organized its first ever hackathon on April 28 and April 29, 2016 with Sciences Po in Paris. Participants were challenged to predict future trends in journalism, envisaging new ways to use editorial data. Over 48 hours, five teams of five or six people, mentored by freelancers, entrepreneurs and employees from *Les Echos*, explored the theme of data at the heart of journalists' editorial work. The hackathon aimed to generate an innovative solution to facilitate the work of information professionals, and to engage *Les Echos* more closely with students and startups, particularly from the digital world.

## Strategic training for innovation

In 2016, like in previous years, the Louis Vuitton training program focused on strengthening and sharing professional expertise. Concurrently, 16 team seminars were held on the importance of team building, reinforcing management, collaborative working and the 360-degree project. After the success of its first hackathon, "Unlock the future of luxury," Louis Vuitton organized a second on the theme of the supply chain. The major challenge, which immersed participants in the world of logistics at Louis Vuitton, ran from June 17 to June 19 at Ecole 42, an entirely free computer-programming school that does not impose entry requirements. Over 48 hours, the interdisciplinary teams made up of students and recent graduates rose to the challenge set by Louis Vuitton: to invent entirely new applications to improve supply chain management. Around 50 participants, including model architects and data analysts, pooled their skills to develop the most ingenious solutions from raw data and an existing planning platform. The aim was to develop an interactive, collaborative and dynamic distribution, planning and procurement tool. After two days of intense activity organized around workshops and with the support of coaches, the programmers presented their work to a jury.

In Watches and Jewelry, each company's training program is determined by very specific strategic issues. Hublot, for example, targeted a number of themes, such as watchmaking techniques, IT and computer-aided production engineering (CAPE), to reinforce the annual training plan that is focused on languages, management, digital technology and computer-assisted design. TAG Heuer maintained its policy to develop industry expertise by financing training courses taken by employees in watchmaking. Chaumet introduced a "Management Club" for mid-level managers, one aim of which is to develop their managerial skills. To generate new ideas for the company, a "LAB" of so-called Millennial employees was also launched to develop the creativity of these young employees and give them a forum to engage them with the highest level of management. A training program on self-awareness and the Myers-Briggs Type Indicator (MBTI)

was rolled out at the headquarters and subsidiaries to promote collaboration and strengthen the foundations of a shared language.

In Perfumes and Cosmetics, Guerlain established its priorities for skills development in four key areas: creativity, management, communication and digital technology. An unprecedented program in creativity and collective intelligence was implemented in 2016 with more than 10 tangible projects either launched or in the pipeline, and the participation of 200 employees from different departments. In the area of management, a number of pilot projects were launched or are planned to “manage differently,” based on positive discipline and collective intelligence. LVMH Fragrance Brands held a first training and skills development workshop to strengthen the “purchasing framework” in line with LVMH purchasing standards. Similarly, Make Up For Ever stepped up training for the procurement team on the environmental auditing of suppliers. Each month at Make Up For Ever, employees are encouraged to exchange and interact at a dedicated coffee break. The aim is to develop new ideas in line with employees’ creative scope. All the company’s employees were invited to attend three Creation Café days held in 2016, at which mini-conferences and workshops raised awareness about the importance of creativity and innovation.

### **Executive and management-level training**

The London-based LVMH House supports the development of managers in key positions and high-potential employees in the Group and its companies. It promulgates the values and strategy of the LVMH group and offers insight to support senior managers’ strategic thinking.

LVMH House activities are driven by four Group-level ambitions:

1. To communicate and circulate internal messages
2. To promote a spirit of openness in the face of new challenges
3. To provide a forum for exchange in a Group in which company autonomy and diversity is an inherent priority
4. To develop the capacity for lifelong learning.

All seminars are co-led by senior Group managers who share their knowledge and experience and by professors from some of the most prestigious universities and business schools, such as the London Business School and IMD. Consultants are also brought in to contribute methodology and promote innovation that will develop a spirit of openness. Teaching is largely based on active participation. Senior managers will, for example, challenge high-potential employees on business case studies taken from real life.

The most iconic seminar, which was created in 2004, is dedicated to the world of LVMH, “The Art of Luxury Branding.” Renamed “Building Luxury Brand Desirability,” the seminar aims to preserve the identity and desirability of our companies to ensure they have a long future. LVMH House also offers leadership and coaching initiatives such as EllesVMH coaching, a specific program to support women in their career development. Lastly, LVMH House hosts forums to develop and update expertise in specific functions. The Strategic HR Forum for human resources is one example.

Adhering closely to the Group strategy, LVMH House launched a two-day bespoke seminar in 2015 for Group company management committees. The seminar, called Digital Journey, was created in partnership with the digital teams to build awareness and focus attention on digital technology.

LVMH House holds 30 seminars a year. Most of the Group’s senior managers and high-potential employees take part in at least one LVMH House development action every two years and the training center has a catalog of more than 10 strategic training courses.

In February 2016, LVMH and Moët Hennessy instigated an entirely new mentoring program with the co-founders and pilots of Solar Impulse, the first aircraft powered entirely by solar energy to attempt a flight around the world. The innovative program, part of the Group’s employee development framework, will

allow six employees with responsibility for projects of strategic importance to be mentored by Bertrand Piccard and André Borschberg and reap the benefits of their feedback. Three concepts that are essential to successfully completing a project underpin the program: endurance and resilience, team spirit and leadership, and lifelong learning and vision. Of the 130 employees approached regarding the program, 60 with an innovative and challenging project were invited to apply for mentoring from the two pilots.

## ***Preserving expertise***

**The LVMH way** ► The LVMH group has always been actively committed to training, and apprenticeships in particular, as a way of passing on expertise so as to preserve its cultural heritage of craftsmanship and design.

**1,179** young people on apprenticeship or work-and-training contracts in France in 2016  
(including young people hosted at the Institut des Métiers d'Excellence).  
Up **11.9%** in 2016 relative to 2015.

## **Committed to apprenticeships in expert professions**

As a signatory of the Apprenticeship Charter, the Group has greatly expanded its apprenticeship opportunities, which help young people gain qualifications. As of December 31, 2016, there were more than 1,179 young people working under apprenticeship or work-and-training contracts (including the Institut des Métiers d'Excellence) at all of the Group's French companies.

In 2014, the LVMH group created the Institut des Métiers d'Excellence (IME), a work-linked training program. This initiative helps the Group ensure its expertise is successfully passed on by encouraging younger generations to pursue careers in the fields of craftsmanship, design and sales. IME is designed to meet our Group companies' standards and help fulfill their current and future needs. It draws on the key role played by apprenticeship supervisors and mentors in promoting and perpetuating professions in craftsmanship, design and sales, with the aim of helping to safeguard and enrich this vital heritage. In 2014, IME signed its first partnership agreements with several vocational schools that are highly regarded in their respective disciplines – 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 Boulle's 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, two new professional course tracks were added to the 16 already on offer at the Institut des Métiers d'Excellence (IME): Culinary arts with FERRANDI Paris, and watchmaking in partnership with the new LVMH watchmaking school in Switzerland and the support of TAG Heuer and Zenith. These new tracks broaden the range of courses, which already includes jewelry making, *couture flou* and *couture tailleur*, leatherworking, wine and winemaking, and sales and retail design. Future plans include Loro Piana's participation in the launch of the IME's first Italian initiative in October 2017, which will see Bvlgari, Céline, Dior Couture, Fendi and Louis Vuitton working in partnership with the Polimoda Institute and Florence's Leather School.

2016 saw the second IME class graduate, and the results testify to the program's success: of the 64 apprentices who took the exam in 2016, all were successful – for the second year running; 82% were

employed, taken on under an apprenticeship contract or are continuing their studies, and 26 apprentices received a professional distinction. In 2016, 120 apprenticeship contracts were awarded in Group companies. Around 200 apprentices have received training through IME and its partner schools since 2014, with a graduate placement rate of 90% at the end of 2016. With the opening of new courses and its new partnerships, IME offers 16 training programs in France and Switzerland. IME welcomed its third intake of students on October 18, 2016. At the opening ceremony, Bernard Arnault addressed the 178 apprentices in attendance along with representatives of various partner schools and Group companies.

## **Decentralized Group company initiatives**

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

School of leather goods established by Louis Vuitton in 2010

One of the longest-standing initiatives aimed at ensuring that skills and excellence are passed on to future generations is the school of leather goods founded by Louis Vuitton in 2010 at the firm's historic Asnières workshops.

### *Académie du Savoir-Faire (Berluti)*

Set up in Ferrara (northern Italy) in March 2012, Berluti's *Académie du Savoir-Faire* has helped it revive the ancestral craft of shoemaking in the heart of the Emilia-Romagna region. The *Académie du Savoir-Faire* selects and trains Berluti's next generation of luxury shoemakers and leatherworkers. In August 2015, Berluti opened its new shoes and leather goods workshop in Ferrara. Spanning over 8,000 square meters, the new facility is built to accommodate the company's growth. With this new site, Berluti can double the number of artisans working in its workshops while at the same time totally rethinking the ecosystem in which its shoes and leather goods are made. In 2016, Berluti held the *Académie du Savoir-Faire* training program at its workshop, consisting of 400 hours of training spread over four months. In all, 20 students attended the training and 16 completed their induction following the program.

### *Loro Piana's Académie de l'Art des Métiers*

In 2016, Loro Piana strengthened its *Académie de l'Art des Métiers*, established in the last quarter of 2015. The *Académie's* program has three main goals: supporting the textile market in its geographic areas by sponsoring local specialized schools, in-house production management training and in-house professional training (which were key priorities in 2016); safeguarding artisanal expertise by developing a matrix of technical skills; and designing a training program for production equipment experts and managers. One of Loro Piana's goals for 2017 is to extend this methodology to other key departments. Every year, Loro Piana offers training courses for sales staff at its Company Retail Excellence Academy. In 2014, some 1,000

employees – or 90% of the staff concerned – attended training in at least one of the 20 courses developed in-house.

#### Fendi's Massoli Academy in partnership with Sartoria Massoli

In February 2016, Fendi inaugurated Massoli Academy in partnership with Sartoria Massoli, a couture workshop with which it has worked closely since 1982. This ambitious project aims to transfer unique dressmaking expertise to new generations of artisans and preserve the prestige of “Made in Italy” craftsmanship. Massoli Academy trains talented young people in the traditional skills and meticulous craftsmanship required for haute couture creations. The first Massoli Academy graduating class counts 18 talented young people with a passion for couture. They began their training in October 2015. The comprehensive program spans theoretical and practical subjects, enabling them to become experts in every aspect of couture, from specific dressmaking techniques and making prototypes based on designs to fabric cutting, plus courses on the history of fashion, marketing and management. Workshops and seminars take place at Fendi and the students will complete their training with a six-month internship, fully preparing them to fly the banner of a new generation of Italian artisans.

#### Moët Hennessy Asia Pacific sales school

Moët Hennessy Asia Pacific has set up a school for sales managers in partnership with a local university, while developing new training programs to promote workplace efficiency, analytical thinking and women's leadership.

#### Loewe's leather crafts training center

In February 2013, Loewe officially opened its leather crafts training center near Madrid. In 2015, the school received the “Entrepreneurs and Employment” excellence award presented by the Spanish magazine *Expansión* and presided over by the State Secretary for Employment (Ministry of Labor and Social Security). This award is highly regarded in Spain in the field of human resources, and presenting it to Loewe is a way of recognizing the company's role in preserving a local culture of high-quality craftsmanship, its commitment to creating stable employment for jobseekers with no initial training, and its capacity to work in close collaboration with the local communities of Madrid.

Several noteworthy partnerships have also been forged by other Group companies. Guerlain, for example, is deeply committed to recruiting people under the age of 26, particularly through a partnership with EMA SUP, the Paris-based training center for the retail, fashion and beauty professions. In the space of 12 years, 202 students have been taken on at Guerlain under work-study contracts and around a third of them are then hired each year either on permanent or fixed-term contracts. At the end of 2016, 32 graduates from EMA SUP joined the Guerlain workforce in permanent jobs. Other Group companies like Chaumet and Sephora have also signed partnership agreements with EMA SUP. In a desire to promote work-study contracts, both professional training contracts and apprenticeships, the Les Echos group is also committed to establishing partnerships with schools, universities and IUTs (technical schools), while stepping up its communication on these types of contracts and the professions that welcome them. This commitment was reaffirmed with the signing of the *contrat de génération* (cross-generation contract) in December 2016.

Certain projects are a true recognition of Group company expertise. Hennessy, for example, was awarded an industrial research Chair in partnership with the French National Research Agency. The Chair is the first of its kind in the agronomy sector in France. The program has been granted €1.2 million to propose an agro-ecological strategy to protect grapevines, including the development of innovative crop management practices, biocontrol and genetic improvement. The GTDfree Chair was officially launched at INRA's

Bordeaux-Aquitaine center on December 2, 2016. It will also pool synergies between researchers and socioeconomic actors to benefit producers and the sector as a whole.

## Compensation

**The LVMH way** ► Group companies offer compensation packages that are competitively positioned with respect to the market in order to attract and motivate talented staff. To strengthen the link between the various compensation and incentive plans and employee commitment to sustainable development, a growing number of Group companies are including certain environmental, social and governance (ESG) criteria in their annual employee appraisal process.

This year, the Group saw increases of:

**6.5%** in worldwide personnel costs

**3.5%** in the number of employees whose gross monthly wages are over €2,251

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.

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 in 2016, paid in respect of 2015, a 22.2% increase compared to the previous year. Certain Group companies have implemented an incentive program with assessments based on ESG (Environmental, Social and Governance) performance criteria. For example, under the three-year incentive agreement signed at Parfums Christian Dior in 2014 – applicable in 2014, 2015 and 2016 – a new waste recovery indicator was added: “Brand Waste Recycling”, which tracks the proportion of brand waste recycled. The amendment to the incentive agreement signed on June 29, 2016 continued application of the “Brand Waste Recycling” indicator. The agreement maintains the recycling rate at 44%.



## 2. MANAGING WELL-BEING AT WORK

*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 optimally express their talent and feel fulfilled in carrying out their tasks. That is why the Group's commitment to managing well-being at work is closely focused on meeting employees' needs.*

### Health and safety issues

**The LVMH way** ► For LVMH, respecting all employees regardless of gender and ensuring their health and safety are two fundamental components of its social responsibility policy. LVMH raises awareness at its companies, via their human resources departments, of the importance of protecting employees' health and safety.

More than **€63 million** was spent on improving working conditions in 2016, a very significant **16.6%** year-on-year increase. This included €31.8 million invested in health and safety.

**37,658** employees received safety training at Group companies worldwide, up **8.5%** following a very sharp increase of 36.6% between 2014 and 2015.

Work accidents:

	Number of accidents	Frequency rate	Severity rate	Deaths
2014	1,055	4.75	0.13	0
2015	1,077	4.70	0.14	0
2016	1,257	5.07	0.16	0

### Key topics and overview

Workplace safety issues take different forms depending on the business group. For instance, Watches & Jewelry sees the fewest work accidents. Similarly, the geographic breakdown of the number of accidents shows that France – where most LVMH companies' production takes place – is more heavily represented.

In 2016, the frequency rate and severity rate were higher than in 2015, due to the acquisition of entities with a more exposed workforce and ratios that led to worse results. There were a total of 1,257 work accidents resulting in leave of absence (up 16.7%), which resulted in 40,689 lost working days (up 26%).

- Investment relating to working conditions

Expenditure and investment relating to working conditions totaled over €63 million in 2016, a very substantial increase (16.6%) with respect to 2015. This investment represented 1.3% of the Group's gross payroll worldwide. A total of 37,658 Group company employees received safety training worldwide.

This overall amount included more than €31.8 million invested in health and safety in 2016. This includes expenses for occupational medical services and protective equipment as well as programs for improving personal safety and health, such as compliance, posting of warnings, replacement of protective devices, fire prevention training and noise reduction.

- Certifications

Regarding workplace health and safety management certification, Glenmorangie also successfully reaffirmed commitment to the OHSAS 18001 standard via a new certification audit. A key goal for Glenmorangie was to improve its control of major accident hazards (COMAH). Hennessy created an Environmental Safety Quality Management Department, one of the aims of which is to implement a safety certification and management system by 2018.

Fendi has a number of different mechanisms based around a health and safety committee and an e-learning system. Alongside ISO 14001 certification, the company has secured OHSAS 18001 certification for all its manufacturing facilities – the Sesto Fiorentino logistics facility, the Porto San Giorgio shoe workshop and the Florence workshop – with 580 employees trained and 68 training sessions delivered covering a wide range of topics such as fire prevention, the use of hazardous substances and chemicals, risk management and preventing occupational stress.

In 2015 the Louis Vuitton workshop in Issoudun obtained OHSAS 18001 certification as part of the *Cap Santé* (Destination: Health) program, in collaboration with Id'Quation. This program is monitored annually under the PACT working conditions improvement plan, and is part of the work done by the Management Committee's Health and Safety Committee.

- Diverse range of situations

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.

With the highest accident frequency and severity rates, the Wines & Spirits business group is particularly committed to addressing the challenges of health and safety in the workplace. A Workplace Safety task force has been set up, comprised of HR teams and all manufacturing site safety managers. The force is tasked with developing a best practice network, drawing up communication plans, conducting cross-audits and monitoring incidents in real time against key indicators. Moët Hennessy, for example, has committed to ensuring that every employee works in an entirely safe environment that presents no risks to health. The company has set a “zero work accidents and zero occupational illness” target. “Safety at work” is the ambitious, international workplace safety program implemented across the Wines & Spirits business group to achieve this target.

The program is based on 10 commitments:

1. Training employees in workplace safety right from induction
2. Assessing every individual's exposure to risk
3. Raising awareness among employees on their responsibility for the safety of others
4. Communicating regularly with the entire workforce
5. Anticipating risks and promoting best practice
6. Analyzing, reporting, sharing and resolving every incident and accident
7. Involving managers and setting an example

8. Respecting the safety rules in force at a given workstation
9. Introducing safety at all times of change
10. Driving continuous improvement.

The company's safety correspondent and safety manager network meet for a day and a half every two months for a coordination meeting at a facility. Every month, a virtual meeting is held to share best practices, analyze work accidents with or without lost time and monitor indicators. Should a serious accident occur, the business segment management is immediately and systematically informed. Lastly, monthly reports are communicated to the Operations Department. In 2017, cross-audits will be launched to assess the effectiveness of the comprehensive safety policy and company practices.

The Group's companies participated in the Well-Being at Work Week held from June 13 to 17, 2016. Moët & Chandon and Ruinart, for example, spoke on "Working more effectively in the digital age" as they launched a one-year trial of working from home. Employees were also given an internal booklet informing them of the new services in place to support well-being. In a further example, Moët & Chandon and Ruinart took action on "Working more effectively in the digital age" with the launch of a one-year trial of working from home. Employees were also given an internal booklet informing them of the new services in place to support wellbeing. Moët & Chandon and Ruinart now have a multidisciplinary health unit that includes inter-company medical services, internal medical personnel and a network of professional partners trained in company policy. The network includes experts in social and psychological support, psychoanalysis, osteopathy, smoking cessation and sophrology. An audit has been conducted by an ergonomist to recommend measures to improve the most problematic workstations and to relearn best work practices. Meetings are held on a monthly basis with occupational health services and quarterly with external CSR partners. Similarly, Veuve Clicquot and Krug are continuing to deploy their health and safety policy, which includes a number of components: the analysis of all critical incidents and work accidents with and without lost time; the drafting of a fire safety standard to improve reaction capacity in emergencies (drafting of an internal action plan, training of necessary personnel and organization of fire drills); the improvement of working conditions and the reduction of occupational health risks; the installation of systems to improve safety across all sites; the implementation of a health committee across all Group companies' business groups to manage employees on long-term sick leave, returning to work or with reduced work capacity. The policy also includes the permanent presence of a social worker and access to individual support from a specialized external consultant should an employee experience difficulties at work. The policy also includes the presence of a social worker and access to individual support from a specialized external consultant should an employee experience difficulties at work. At Glenmorangie in Scotland, the brand's "zero accident" policy remain a cornerstone of its entire health and safety culture.

Other business groups are also implementing a variety of projects.

The action plan deployed by Louis Vuitton in 2016 again increased the importance placed on quality of life at work. Employees are invited to attend workshops on extremely diverse themes including working on-screen, boosting energy levels, enhancing the five senses and improving nutrition. The aim of these workshops is to highlight the vital components for achieving personal balance. In 2016, they were attended by 475 employees. Certain teams from the prototype workshops and ready-to-wear operations solicited additional sessions on specific themes. Collective actions were organized around the three main occupational health risks: carrying heavy loads, repetitive work and handling chemical substances. Individual actions were also proposed to improve workplace ergonomics. Studies were conducted on ready-to-wear cutting tables and on prototype workshop benches. The Vicariance consultancy was brought in to assist watchmakers and employees working in the prototype workshop, the quality assurance laboratory and the mock-up workshop who are exposed to occupational health risks. Personalized hearing protection equipment was provided in the mock-up workshop and awareness-raising sessions were held for employees working on screen.

In 2016, Berluti focused on improving working conditions in the production department of its factory in Italy and in the warehouse. A number of measures were put in place, for example better ventilation, lighting and sound insulation systems. Internal training was also set in motion with the support of an osteopath to raise awareness among headquarter employees on improving posture at work. The osteopath also conducted an audit in the various workshops proposing modifications to equipment and postures to reduce musculoskeletal problems.

An occupational health risk audit is conducted each year at Tanneries Roux and any necessary investments are made. The health and safety committee is closely associated with proposed improvements. The action plan also includes organizing toxicology studies, putting employees through the *Sauvetage Secourisme du Travail* first-aid certificate and, since 2015, implementing an activity-specific risk prevention group to look into posture and movement issues and propose improvements. On-site safety visits facilitate this process.

At Kenzo, an occupational health risk monitoring committee has been established to assess the six criteria in force since January 1, 2016. The committee worked with the occupational health service and ergonomist to analyze the issues and implement improvement measures, even though the company is not obliged to comply with the occupational health risk legislation established by the French labor code. Administrative departments have been involved in monitoring corrective measures related to the risk prevention plan. The HR development department also ran training sessions on safety.

At Parfums Christian Dior, the Dior&Me committee for the headquarters and the Quality of Life at Work committee for the Saint-Jean de Braye site form the official joint commission for human resources and occupational health, bringing together employee representatives to identify solutions for specific problems experienced by employees. The committees meet regularly to draft action plans for specific situations such as illness, occupational stress, disability etc.

Hublot is continuing to implement an action plan that covers different aspects of workplace health and safety. To improve ergonomics, all fixed watchmaking benches have been replaced by height-adjustable benches. A safety training course is dispensed to all staff working in store and taking delivery of merchandise. Hublot continues to deploy the official industry-wide safety policy for the watchmaking and microtechnology sectors in order to ensure legal requirements in workplace health and safety are respected. Lastly, the administrative manager has completed the Swiss “safety officer” training course.

## ***Group company programs and initiatives for well-being at work***

**The LVMH way** ► The skills and motivation of the Group's employees are what underpin the excellence of the products and services offered by its brands. For this reason, in addition to health and safety issues, the Group's companies also seek to promote a broader conception of "well-being at work". Working conditions must enable employees to optimally express their motivation and feel fulfilled in performing their duties.

The overall absence rate for employees on permanent and fixed-term contracts was **5.1%** in 2016. This was higher than in previous years (4.8% in 2015, 5.0% in 2014 and 4.9% in 2013).

This slight increase was partly due to the increase in maternity leave (1.6% vs. 1.5% in 2015), unpaid absences (0.5% vs. 0.4% in 2015) and paid absences (0.4% vs. 0.3% in 2015).

The change also resulted from the consolidation of French entities, which increased the number of sick days and unpaid absences. The overall absence rate is twice as high at entities in France and the rest of Europe as it is in other geographic regions.

At Group level, as part of a project looking at the possibility of standardizing healthcare benefits, a study of the systems in place in each country has been launched along with discussions on how common core benefits might be implemented.

### **Preventing occupational stress**

All Group companies are committed to preventing occupational stress, and pay particular attention to high-risk situations their employees might encounter.

The Wines and Spirits business group is particularly involved in addressing this issue. In January 2012, Moët & Chandon and Ruinart entered into an agreement on preventing occupational stress, which included measures such as an emergency alert procedure and stress level assessments as part of all employee medical examinations. Awareness raising on occupational stress is dispensed to new managers and supervisory staff with a view to adapting a managerial style that supports prevention. Certain employees suffering from stress have received coaching to improve wellbeing at work. A helpdesk has been set up in the medical unit to offer employees an alternative to the HR Department to discuss any stress-related issues they may be facing. Moët Hennessy Diageo also deployed an occupational stress prevention policy from a quality of life at work perspective to 62 managers in 2015 and 2016. An awareness day featuring practical workshops focused on the topic of "Managing performance with kindness," attended by the Group company's managers. In 2016, the second phase of the program was deployed by sending out a questionnaire on managerial practices to managers to identify their needs. Several training modules are proposed on targeted themes, including a compulsory module on occupational stress. The health and safety committee and employee representatives were involved in the early stages of the project: a working meeting was held with the committee and the consulting firm.

In other business groups, the *Les Echos* newspaper conducted an audit in September 2014 and surveyed all employees on quality of life at work and the prevention of occupational stress. The analysis of the audit's

findings and the action plan organized around a number of working groups was followed up by a steering committee in 2015. Implementation of the measures decided by the committee continued in 2016.

Most companies have a psychological support cell of some kind. Hennessy, for example, offers assistance via a free call number and Céline proposed psychological support to employees affected by the November 2015 Paris terrorist attacks and the July 2016 Nice attack.

## **Various other factors involved in well-being at work**

Sephora America, which is known for its constant innovation and commitment to high-quality recruitment and employee development, was awarded the “Great Place to Work” label in December 2016. According to a survey conducted by the Great Place to Work Institute, 87% of Sephora employees in the United States described their workplace as great. A total of 1,056 employees were surveyed, and the findings revealed that most of them shared a number of values; 92% of employees surveyed, for example, declared that they were proud to look at what they had accomplished and proud to tell others they worked at Sephora. The label also recognized employee training programs at Sephora such as “Sephora Stands Together,” a social responsibility program in the United States that aims, among other things, to establish a community of young women entrepreneurs. The “Innovation Lab” and the “Idea Central” program give employees the opportunity to propose ideas and put them to a vote.

- Services and training

Beyond preventing occupational stress, the ambition of the Group’s companies is to improve employee well-being at work. Increasing numbers of them are offering services such as relaxation sessions, massages and sports classes.

Berluti, for example, offers its employees weekly sports and yoga classes at preferential rates. In 2015, Céline held two “well-being at work” training sessions in the form of open workshops – first for older employees, then for all employees – on stress management, including self-massage, yoga and laughter therapy workshops.

To ensure employees have constant support, Louis Vuitton has set up social support provided by a social worker who works in partnership with the occupational nurse to help employees resolve any personal or family problems in a personalized, appropriate manner. In Spain, Loewe has implemented a wellbeing-at-work program that employs a physiotherapist to promote physical exercise and preventive health and propose nutritional advice.

- Site selection and organization

Building quality and design is also an important consideration that Group companies take into account during the construction and renovation of their sites. Certain site restructuring projects also give rise to specific actions that make it easier to take employee concerns into account.

In 2016, Veuve Clicquot and Krug launched the Comète project for the construction of a new oenology and winemaking site. The goal is to reduce workplace risk and improve ergonomics and the quality of the working environment, for example by improving visual comfort through natural lighting in all areas and reducing noise levels throughout the site. In collaboration with employee representatives, an Employment Observatory will be created in order to support employees whose job is likely to change and to improve working conditions and workplace health and safety as necessary. The project also aims to provide more individual and collective training for employees and increase efforts to maintain workers in employment, particularly those registered as disabled. In addition to these different areas, the Comète project, which is

supported by an investment of €12.5 million, covers the construction of additional space that will eventually allow all personnel to work at a single site.

The planned transfer of Kenzo’s warehousing and accounting services to Chambray-lès-Tours will mean that employees will be housed in more modern and spacious buildings, with better thermal insulation. The expansion project for the headquarters building has been launched. Work areas will be redesigned and equipped with new, ergonomic furniture throughout.

On February 6, 2015, Guerlain inaugurated its new skincare and makeup manufacturing facility in Chartres, attended by the Group’s Chairman and CEO Bernard Arnault and French Prime Minister Manuel Valls. Named La Ruche (“The Beehive”), the site was designed to meet the company’s ambitions for growth, technological excellence, quality and sustainability. To ease the transition to the new site, all the employees concerned by the move were consulted at every step of the project, from how to optimize workspaces to what to call the new facility, along with the choice of furniture and layout. More than 300 trees were planted and two central landscaped patios were installed to create a bright, pleasant environment.

Lastly, as part of the Franck et Fils store transformation project, Le Bon Marché finished reassigning employees within the Group and made arrangements to monitor how each employee was adjusting to his or her new position. Following the signing of the agreement on workforce-related support measures linked to the store transformation project, a feedback system was set up to let employees voice their concerns, along with a space dedicated to employee reassignment.

## **Organization of working time**

**The LVMH way** ► Respect for human beings means taking into account a range of individual factors. Providing flexible working time arrangements and services geared towards promoting a healthy work/life balance help meet employees’ growing expectations as regards physical well-being, balanced use of time and management of family responsibilities.

Global workforce affected by various forms of working time adjustments in 2016:

Employees concerned ( <i>as %</i> )	Global workforce
Variable/adjusted schedules	13%
Part-time	20%
Teamwork or alternating hours	49%

## Forms of working time adjustments

Out of a total workforce of 134,476 employees as of December 31, 2016, 20% worked part-time, 13% worked variable or adjusted hours and 49% worked as a team or alternated their working hours.

Most Group companies based in France are affected by Sunday opening of stores, under the Act of August 6, 2015 for growth, activity and equality of economic opportunities. They have consulted employees, including at De Beers Diamond Jewellers and Louis Vuitton, which in June 2016 organized a consultation with the retail teams affected to approve the company agreement. Le Bon Marché undertook discussions with union representatives. Agreements were signed by Le Bon Marché and La Grande Epicerie de Paris on November 25 and 26, 2016, respectively, setting out a tailor-made organization of working hours effective from March 2017 for volunteer employees. The aim is to maintain an identical quality of service throughout the week, while protecting wellbeing at work and organizing a rota for employees' days off. In line with its traditions, Le Bon Marché has taken the lead in the department store sector by adopting a socially and economically responsible project.

Agreements on evening and Sunday working signed in 2015 and 2016 at Parfums Christian Dior were based on the principle that employees had the choice of accepting or refusing the extended hours and that those who accepted could change their decision later. The agreements also included various support measures such as pay increases and time off in lieu, coverage of childcare costs, coverage of commuting costs after 10 p.m. and heightened medical monitoring of employees regularly working in the evening.

## Work/life balance

Work/life balance is another essential part of well-being at work, and a focus area for Group companies. This topic is one of the ongoing objectives of the Group's companies and touches on a number of different issues including parenting, career paths for older employees and the expectations of employees who are family caregivers. For example, flexible working time policies are very widespread. Chaumet has introduced a system of fixed daily payments for managerial staff, effective from January 2017.

Where possible, for some types of employees, Group companies offer telecommuting solutions, as is the case at LVMH Fragrance Brands. The company has introduced a policy to facilitate the use of occasional telecommuting under its "Remote Working Charter." Its twin objectives are to meet the challenges of work-life balance and improve the organization of working hours for employees with family responsibilities or who have long commutes. The *Les Echos* newspaper is also experimenting with the introduction of telecommuting and supporting the transition to digital. Collaborative working is also facilitated by the introduction of dedicated workspaces. In 2016, Chaumet adopted new measures, in particular the introduction of telecommuting for older workers and pregnant women. For employees in its headquarters in Rome and its offices in Valenza, Bvlgari carried out a survey on employee mobility in order to better understand their habits and encourage sustainable mobility. The aim of the project is to reduce commuting-related stress and improve safety and comfort.

Moët & Chandon has taken a number of different approaches to work-life balance: "time savings accounts," which enable French employees to "save up" hours worked during public holidays and give them the choice of using them to take time off at a later date, be paid in lieu or gift the time off to colleagues; the opening in January 2016 of a creche with eight reservable places; end-of-career flexibility; option of part-time working and additional measures for taking leave for family reasons; introduction of a one-year experimental home-working agreement (June 2016 to June 2017), with 28 employees having already signed up; the "Email and you" awareness-raising program on using and managing email appropriately; negotiations on drawing up an agreement that covers gender equality, conditions for parents and work-life balance.

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Workplace concierge services and childcare are becoming more widespread within the Group.

## ***Labor relations***

**The LVMH way** ► The LVMH group’s employee representation system is comprised of three levels:

- the individual Group companies’ Works Councils
- the Group Works Council
- the European Company (SE) Works Council for LVMH SE, which handles transnational issues at the European level

In France:

**1,818** meetings

**143** company-wide agreements

Type of meeting	Number
Works Council	683
Employee representatives	554
Health and Safety Committee	325
Other	256
<b>Total</b>	<b>1,818</b>

A budget of over **€22.3 million** was allocated to social and cultural activities via contributions to Works Councils. This amount increased very sharply, **up 12.6% in 2016**, representing **1.9%** of gross payroll. The total catering budget for all Group employees was **€22.3 million**.

In May 2009, LVMH put in place a Code of Conduct aimed at following and promoting the principles of the Global Compact on fundamental rights and principles in the workplace, including freedom of association and recognition of the right to collective bargaining. Similarly, the “Supplier Code of Conduct”, rolled out from March 2008, recognizes the principle of freedom of association: “We expect our suppliers to recognize and abide by each employee’s right to engage in collective bargaining and to form or participate in a trade union of his or her choice without penalty, discrimination or harassment.”

## **Structure of union representation within the Group**

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.

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

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

## **Discussions at the European level**

The Common European Companies’ Committee handles transnational issues at the European level. This body thus supplements employee representation arrangements consisting of the Group Works Council and individual company Works Councils.

## **Discussions in France**

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. 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 Act of August 6, 2015, known as the Macron Act.

Dialogue with unions and employee representatives is undertaken at the level of each Group company. At Louis Vuitton, for example, Works Council meetings have mainly focused on workplace gender equality programs (including measures taken to improve wellbeing at work), *contrats de génération* (cross-generation contracts) and disability initiatives. Key indicators are in place to measure the progress made on the implementation of programs and agreements and regular assessments are conducted.

Veuve Clicquot/Krug has signed an agreement on wellbeing at work. Measures include identifying actions to tackle all forms of discrimination, both internally (in the recruitment process and throughout employees’ professional careers) and externally through various partnership and sponsoring activities.

Labor-management dialogue is also an opportunity to discuss Group companies' policies. For example, with the help of department heads, Moët & Chandon and Ruinart presented the findings of an audit conducted on the company's workforce planning system. In another example, at Hennessy this time, unions and employee representatives were included in task forces working on the CAPTEN corporate project, which is based on employee participation and covers a number of themes such as wellbeing at work, sustainable development, eco behavior and day-to-day health and safety.

## **Examples of international discussions**

In Italy, Fendi has negotiated various agreements with the unions on the issue of video surveillance of work areas in accordance with Italian legislation. An agreement has also been reached to promote personal support services.

In China, various agreements have been reached with store employees under the terms of reforming sales commission payments. Discussions also covered new policies developed by the Group and the Chinese government.

In Switzerland, Hublot has had discussions in the Nyon region with representatives from Unia, the country's largest general trade union for private sector workers and a member of the Swiss Federation of Trade Unions. A monthly newsletter is distributed to employees in order to share news about actions and partnerships. TAG Heuer participated in the renegotiation of the *Convention Collective de l'Horlogerie* (watchmaking industry collective agreement) between union and employer representatives that came into force on January 1, 2017. At the end of 2015, a representative council for the exchange of information with employees was created to provide a forum for senior management and employees to discuss all issues relating to the life of the company. An employee from TAG Heuer, representing Switzerland, attends the annual meeting of the European Company (SE) Works Council for LVMH.

## **Group company satisfaction surveys**

At the same time, Group companies are making great efforts to encourage employee input and discussion with management. To this end, they may use satisfaction surveys as well as more direct methods of gathering information and feedback.

- Consultation methods

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

Organized dialogue with unions and employee representatives does not exclude the possibility of consulting employees directly on specific issues. In 2016, Céline consulted sales personnel to gather opinions on Sunday opening at stores. Loro Piana also carried out an employee satisfaction survey, and a targeted survey on pay and benefits. In February 2017, Moët Hennessy Diageo repeated the opinion survey it carried out in January 2015. With a high response rate of 86%, the 2015 survey showed significant advances in a number of areas, notably CSR (up 11 points compared to the previous survey in 2012). Four issues were identified (Management, Culture & Values, Team Spirit & Interdepartmental Links, and Recognition & Compensation) that gave rise to an action plan and the creation of task forces comprising representatives of sponsors, project leaders and contributors.

Lastly, consulting employees can provide a means of measuring their capacity for engagement and their expectations in this area. Having launched its first employee engagement survey in the Americas in 2015, Fendi set up cross-discipline teams to design action plans and take account of the main areas for improvement identified in the findings of the survey.

- Issues specific to “corporate projects”

Defining and implementing a strategic project at Group companies is an opportunity to involve employees in thinking about what changes are needed.

For example, employees at Céline took part in drawing up the handbook for the corporate project. The document was translated into six languages explaining the essence of the company from four aspects: Company, Products, Women and Values. The handbook was distributed to around a hundred international managers on May 30, 2016 as part of a series of workshops looking in particular at the role of women in the company and Céline’s vision for women. It was then discussed by each member of the Management Committee with their personnel (150 participants), with an emphasis on the company’s values, before being communicated to international retail teams as part of a series of videoconferences.

At Fendi, the 2017–2019 strategic plan was presented to all headquarters and production site staff for a total of 800 people. Various internal events were organized to facilitate discussions between employees. Labor-management dialogue therefore includes agreements reached with the unions and regular communication with employees.

Among many other examples, in 2016 Sephora launched a program of discussions about the values expressed by the employer brand. Workshops were organized in France, Poland, Italy and Spain, and an online survey was carried out at the same time in Portugal, Greece, the Middle East, Turkey and Scandinavia. More than 400 people took part in this process. The *Les Echos* newspaper organized monthly breakfast meetings between senior managers and employees chosen by ballot, with the aim of discussing the Les Echos group’s strategy. Le Bon Marché launched its “Customer Culture – Act 3” corporate project based on the notion of “agility” as part of a collaborative process that began in 2012. The aim is to enhance the autonomy, skills and performance of staff who are in contact with customers on the ground. Lastly, as part of its centenary celebrations, Acqua di Parma brought together managers from around the world in May 2016 to present the company’s results and targets. This event involved all employees in Italy.

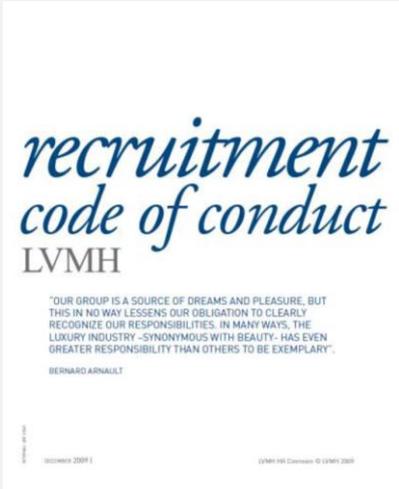


### 3. PREVENTING DISCRIMINATION AND RESPECTING INDIVIDUALITY

*The people who make up LVMH constitute the Group's most prized asset. This human capital is something that the Group intends to develop to enable employees to find personal fulfilment through their work. From the recruitment of talent to career guidance for all employees, the Group's human resources policy is a key performance driver. The LVMH group's CSR approach is therefore aimed at preventing any risk of discrimination, and respecting each person's individuality.*

#### **Developing shared prevention practices**

**The LVMH way** ► The LVMH Recruitment Code of Conduct has been widely disseminated to all employees active in recruitment processes across the Group. It sets forth the ethical 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.



1. Promoting diversity and equal opportunity.
2. Ensuring a clear and transparent hiring process.
3. Posting job vacancies on our various HR websites.
4. Prioritizing the professional development of our employees.
5. Systematically verifying whether job applicants are involved in a hiring process with another Group company.
6. Treating applicants the way we treat our customers: with respect and attention before, during and after interviews.
7. Ensuring the confidentiality of job applications.
8. Using tried and tested methods to select applicants, with a focus on the importance of interviews.
9. Keeping applicants informed of next steps and the time frame of the hiring process.
10. Providing all applicants with qualitative, constructive feedback post-interview.
11. Basing our compensation policy on the principles of fairness and transparency.
12. Completing the hiring process with an effective orientation program for new employees.
13. Making sure that external providers know and comply with our Recruitment Code of Conduct.
14. Constantly aiming for excellence and improvement.

## **Recruitment Code of Conduct**

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As regards hiring new employees, LVMH uses mandatory anti-discrimination training to raise awareness at its companies of the importance of recruiting people from all walks of life, including those with and without disabilities.

With regard to the links between continued employment and preventing discrimination, various policies and best practices have been applied by Group companies. Examples include preparing and supporting employees returning from parental leave, adapting workstations and working time for older employees, and providing staff with disabilities with a suitable working environment.

### **Discrimination prevention training**

Since it was launched, the Recruitment Code of Conduct has been accompanied by the “Recruitment without Discrimination” training program rolled out across the Group. This training program has been mandatory for all human resource managers involved in recruiting since 2011. Specific training sessions have gradually been rolled out on a country-by-country basis so as to align LVMH’s practices with domestic legislation.

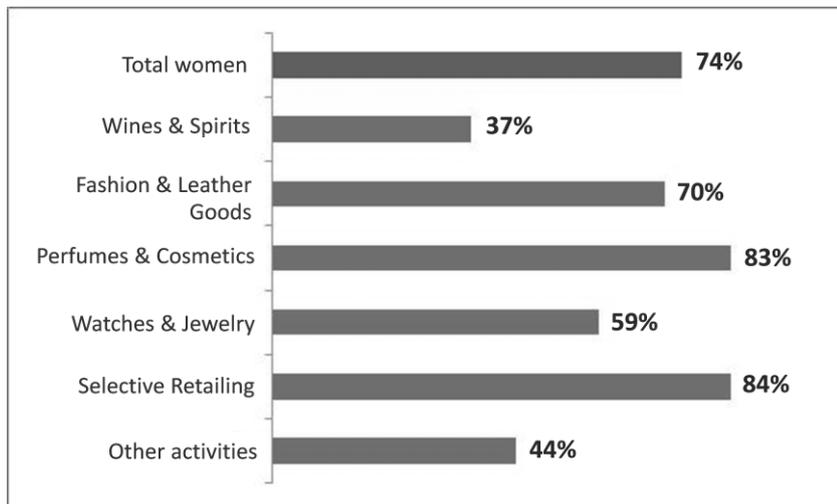
As part of broader awareness-raising efforts, Guerlain applies the Recruitment Code of Conduct in all the countries in which it operates. An equal employment opportunity policy is specifically applied in certain countries such as Singapore and Spain, along with an equality policy aimed specifically at women. In China, all staff have signed a policy on the use of e-business and WeChat. A social media policy and guidelines have also been drawn up and shared with employees in Germany and France.

### **Discrimination testing**

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. During testing for discriminatory practices, one of the criteria potentially tested for is disability. The global campaign launched in fall 2014 that ended in spring 2016 was the first-ever international test of its kind conducted by a company. Tests were carried out in five countries: China, the United States, France, Italy and Switzerland. The findings of this campaign were shared with Group companies’ human resources departments. Campaigns to test for discrimination help monitor compliance with our commitments while managing the system for preventing discrimination in recruitment.

## Promoting gender equality in the workplace

**The LVMH way** ► Gender equality is an integral part of LVMH’s corporate culture. Women account for three-quarters (74%) of all staff working under permanent contracts. This strong female presence is an essential characteristic of the Group, and reflects the nature of LVMH’s businesses, in which women are especially prominent.



### Proportion of women in the Group

- Key findings

In 2016, women accounted for 74% of the total workforce on permanent contracts, 64% of management-level staff and 38% of Management Committee members. Women are particularly prominent in Selective Retailing (84% women), Perfumes & Cosmetics (83% women), and Fashion & Leather Goods (70% women). Conversely, men make up the majority of staff in Wines & Spirits, representing 63% of this business group’s workforce. In order to boost the representation of women in this business group, the Group increased the proportion of women in new hires to 44% in 2015 and 46% in 2016.

Group companies are taking a proactive approach. In France, for example, women make up 70% of the Management Committee at Guerlain, as well as more than 50% of the heads of its subsidiaries. At Kenzo, a female Digital & Clients Director has been appointed to the Management Committee. Women account for 50% of the Management Committee at Tanneries Roux. Moët Hennessy Diageo has continued to recruit and appoint equally qualified women to key positions, including Head of Marketing, Sales Director – Major Retail and member of the Management Committee, Brand Director – Major Retail, Sales Director – Influencer Marketing and Communications Director. At Sephora America, women make up 68% of senior management in the United States and 91% in Canada.

In 2016, 38% of management committee positions across the entire LVMH group 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. In 2017, LVMH will be continuing its efforts to achieve its target of 50% female representation on management committees by 2020.

## Overview of commitments

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

On the occasion of International Women's Day on March 8, 2016, the LVMH group organized a series of in-house events around the world and reaffirmed its commitment to female leadership. In Paris, Cognac, New York, Shanghai, Hong Kong, London and Madrid, a total of more than 1,000 female employees took part in celebrations centered around the theme of "Daring". The Paris event and local spin-offs featured testimonies from a number of speakers from within and outside the Group, as well as discussion and networking opportunities. Representatives from newspaper Les Echos took part in the Women's Forum held at Centre International de Deauville from November 30 to December 2, 2016. Featuring debates, dialogue, brainstorming and action, this vital event turns the floor over to women to speak out on the major current and future issues facing society. One of the talks, "How to share responsibilities in Europe", was hosted by Virginie Robert, foreign desk editor at Les Echos.

## Taking action

Reasserting its commitment to diversity and supporting female leadership, the LVMH group stepped up its efforts in 2016.

- Group initiatives

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 diverse 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. Blending coaching and action to provide proactive, practical support for female leaders, EllesVMH has become an international brand that channels the energy of a wide range of initiatives. EllesVMH helps forge links between multiple generations of women at different Group companies and from all walks of life, thus fostering both their development and synergies within the Group. Around 40 women have taken part in the EllesVMH Coaching program every year since it was launched in 2013.

Building on this success, the Group capitalized on the enthusiasm stirred up by the initiative to organize "EllesVMH Connect", a completely new worldwide digital event, in November 2016. The initial launch event, held on September 23 and backed by a global digital campaign, featured workshops where women and men worked together on the issue of equality. Nearly 300 discussion groups in 22 countries got to share their ideas on how become more aware of and correct gender-related behaviors that can hold back women's careers, and could post these ideas on the "EllesVMH Connect" platform. Each Group company ambassador was asked to put together a six-person, gender-balanced discussion group, which was invited to connect to an online platform on September 23, 2016. Participants could complete a workshop led by Joan Williams, Professor of Law at the University of California and Founding Director of the Center for WorkLife Law in San Francisco, who presented the results of her research on women and leadership, including four types of behavioral biases that hamper women's career advancement at companies. After watching the videos, participants were invited to share their ideas on how to look out for and correct these detrimental behaviors, by posting them on the "EllesVMH Connect" platform. The in-house initiative was a major success, so the event was extended and replicated at Group companies. To date, just over 2,000 employees have attended

the workshop at around 43 Group companies. The next step will be to analyze all the contributions made by EllesVMH Connect participants and use them to improve EllesVMH's long-term strategy, a key goal of which is to have women make up 50% of Group companies' management committees by 2020. Some countries such as Japan used the opportunity to re-activate local networks. In other countries, it provided an opportunity to create new communities, such as in Australia, Africa (South Africa and Nigeria) and Latin America (Brazil, Mexico and Argentina). Participants' contributions have helped develop the EllesVMH strategy.

LVMH continues to track the career development of its talented women through its annual organizational review, using a set of targets and key indicators. The Group provides annual coaching for its most promising talented women to help them transition to executive roles. In 2016, 36 female employees benefited from this comprehensive program, 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.

- Group companies' best practices

In addition to the EllesVMH program, Group companies also develop their own initiatives. These initiatives are aimed at addressing the most frequently cited areas for improvement regarding women's career development: ambition, self-marketing, international mobility and work/life balance. Like some other Group companies, Chaumet entered into a new gender equality agreement for 2016 and 2017.

Initiatives and tools specific to each entity are put in place to reduce any pay gaps between men and women with the same job description. At the *Les Echos* newspaper, union and employee representatives continue to work with management to monitor the comparative pay trends of men and women in positions identified as being held by significant numbers of both genders. These trends are reported and reviewed annually in order to ensure equal pay. During annual negotiations a dedicated budget can be set aside to make any adjustments needed to even out any pay disparity that may be the result of a potentially discriminatory gender-related situation.

The aim of achieving gender equality is also reflected in internal promotion measures, particularly in the Wines & Spirits business group, where 37% of staff are women. Veuve Clicquot/Krug is to change its internal rules of procedure in early 2017 to strengthen prevention of gender discrimination. In accordance with French legislation, internal rules of procedure must set out the country's Labor Code's provisions relating to sexism. This aspect has been added to provisions on bullying and sexual harassment. The agreement on increasing the number of women working as tractor operators also stipulates an internal development pathway to access this post. After a recruitment process consisting of interviews and aptitude tests, candidates follow a training program provided by the Avize Viti Campus's CFFPPA, a training center for agricultural professions, to prepare them for the Corporation des Vignerons' Winemaking Agricultural Machinery diploma, while at the same time training them in the specific practices of the Veuve Clicquot/Krug vineyards. Similarly, Hennessy held its fourth "Women in Wine" operation, promoting the employment of women in the winemaking industry. In all, 200 women attended this event.

## ***Fostering the employment of people with disabilities***

**The LVMH way** ► Supporting access to employment for people with disabilities is at the heart of LVMH's corporate social responsibility policy. The approach to disabilities is 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.

Proportion of employees with disabilities in 2016:  
**4.5%** in France (according to official standards).  
**1.0%** worldwide.

Value of services entrusted to sheltered and disability-friendly sectors: **€6.6 million**.  
An increase of **6.5%** in 2016 relative to 2015 (€6.2 million).

Number of external jobs: **312 FTE** (full-time equivalent).  
An increase of **100%** in 2016 relative to 2015 (156 FTE).

The Group's redoubled efforts have enabled it to increase the proportion of its employees with disabilities in France to 4.5% according to official standards (sum of direct and indirect employment) at the end of 2016. Internationally, as the situation and the definition of disabilities depends on local legislation, the proportion of staff with disabilities stands at 1%.

### **The Group's support and awareness-raising initiatives**

The aim of the *Mission Handicap* initiative, established in 2007, is to help LVMH achieve its ambition regarding social inclusion and access to employment for people with disabilities, 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 specialist institutions.

As regards training, in 2014 LVMH launched "EXCELLhanCE", which benefits from support from AGEFIPH in the form of a partnership agreement. "EXCELLhanCE" enables people with disabilities to simultaneously obtain a degree, significant experience at the LVMH group's companies and expertise specific to the luxury industry. It is based on intensive work-linked training programs, lasting 12 to 24 months, in three professional fields: sales, logistics and human resource management. Candidates are selected using the *Handi-Talents* process, based on work-related simulation exercises. These innovative recruitment sessions make the hiring process more objective and serve to identify abilities and skills that can be transferred to the professional sphere. The first intake of sales advisors and inventory managers was in 2014, resulting in 64% of participants obtaining a vocational qualification in logistics or a BTS technical qualification in Management of Commercial Units in 2016. In total, 74% of participants then continued to work for the Group on a fixed-term or permanent contract or continued with their studies. The second intake was in fall 2016. Spanning 10 Group companies, it has allowed 13 people with disabilities to enter employment under work-and-training contracts, most of them retraining in a new profession, still in the roles of sales advisor, inventory manager and human resources assistant.

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

## **Specific initiatives at Group companies**

Group companies have adopted a range of measures to encourage the employment of people with disabilities. For example, Le Bon Marché publishes its job offers on the Hanploi.com website, an innovative, effective site that is the foremost tool of its kind for helping organizations recruit disabled people and communicate about their human resources needs. In 2016, LVMH Fragrance Brands repeated its “One day, One job” action day at its industrial sites, allowing people with disabilities to learn about the range of positions in the company with a view to future recruitment under temporary, fixed-term or permanent contracts. During European Disability Employment Week from November 14 to 20, 2016, Veuve Clicquot and Krug joined forces with Cap Emploi, France’s national network of employers and organizations specializing in the placement of people with disabilities, to present a range of production posts (operators, drivers) and include jobseekers in the 2017 recruitment round using the job simulation recruitment method.

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).

## **Targeted internal initiatives to keep people in employment**

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 early June 2016, Moët Hennessy Entreprise Adaptée (MHEA) celebrated its fifth anniversary. This entity helps avoid breaks in employment contracts for incapacity by supporting employees facing difficulties in their jobs. The company has also enabled the recruitment of several jobseekers with disabilities, working in cooperation with local structures such as the CAP Emploi and Pôle Emploi public agencies. Five years after its official launch by Christophe Navarre, President of Moët Hennessy, Chantal Gaemperle, Human Resources & Synergy Director at LVMH, and Marie-Anne Montchamp, Secretary of State at the Ministry of Solidarity and Social Cohesion, Moët Hennessy Entreprise Adaptée has established a particularly strong track record.

Hennessy signed a new agreement on hiring workers with disabilities and maintaining them in employment as part of a three-year commitment. The new framework allows for existing measures to be continued, a specific budget to be earmarked alongside a €30,000 supplement, and the recruitment of five people to permanent positions over the duration of the agreement. A review has been undertaken to develop internal communication and launch a training program for all employees. Veuve Clicquot and Krug have undertaken a range of actions to foster the employment of people with disabilities. A co-packing workshop has been opened within the Veuve Clicquot finishing and packaging workshop. Four positions have been created that allowed three employees to be maintained in employment; they were either registered disabled or had been declared as fully or partially incapable of continuing in their original posts.

In other business groups, Le Bon Marché continued to organize a number of meetings with HR, medical and social teams on maintaining people in employment. A French sign language interpreter attended training sessions and annual team meetings to assist a person with a disability. Hublot also provides a workplace sign language interpreter for a hearing-impaired employee, in cooperation with the Swiss disability insurance service. Lastly, Make Up For Ever carried out a program of disability awareness-building activities with members of the Management Committee.

### **Partnerships with ESATs (sheltered workshops)**

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).

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

Services entrusted to sheltered-sector and disability-friendly employers equated to €6.6 million in 2016, up 7.5% relative to 2015. This purchasing volume represents 312 full-time equivalent jobs. Parfums Christian Dior is one of the Group companies that is particularly involved in this area, and has strengthened its relationships with sheltered workshops.

In 2016, various Group companies, including Chaumet, took a more systematic approach to their use of sheltered workshops (ESATs) and social enterprises (EAs) in certain activities. In Switzerland, TAG Heuer continued to subcontract grounds maintenance and printing services to the Alfaset Foundation, a well-recognized organization that is among the largest in the sheltered workplace sector. Berluti regularly works with ESATs in preparing orders for sales to employees, the preparation of collection books and in catering services.

Other Group companies also put in place some original initiatives. Louis Vuitton, for example, has introduced a purchasing platform to facilitate contact between Purchasing, HR and CSR teams at its headquarters and their ESAT partners. Hennessy has made available to Ateliers des Vauzelles, an ESAT located in Châteaubernard, land belonging to the company for use as a market garden. In 2016, Hennessy organized a visit by the L’Arche ESAT to make a position available to a person from the sheltered workplace scheme. Hennessy also works with the L’Arche des Sapins ESAT, which has seven employees who help prune vines.

Lastly, Group companies Veuve Clicquot and Parfums Christian Dior demonstrated their commitment in this area by signing agreements with AGEFIPH. Hennessy has had such an agreement in place since 2011; it was renewed for three years in 2016.

## Providing career support for older workers

**The LVMH way** ► Preserving expertise within the Group’s various business lines is a matter of vital importance, which is why passing on skills is at the heart of the Group’s policy in support of older employees. The craftsmanship and priceless expertise built up by older employees throughout their careers is recognized and promoted through mentoring activities.

Employees aged 50 and up:	<b>13.5%</b> worldwide. <b>24.2%</b> in France.
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Under the leadership of the Group Human Resources Department, Group companies endeavor to implement a comprehensive approach to career management and professional development for older staff. They have been able to develop their policies according to their specific characteristics. In France, employees aged 50 and up accounted for a much larger proportion of the workforce (24.2%) than in other countries (13.5%) in 2016. It thus makes sense that the issue of helping older workers to find and keep jobs should be handled differently according to geography.

In France, 26 Group companies have made commitments in relation to the management of older employees’ careers, via either agreements or action plans to foster their recruitment, employment and career development. All Group companies in France, regardless of size, have renewed the *contrat de génération* (cross-generation contract) plan to promote the sustainable employment of young people, encourage the hiring of older employees, and facilitate knowledge transfer across generations. For example, Chaumet has adopted a new *contrat de génération* for the 2016-2019 period. Newspaper Les Echos also adopted a new *contrat de génération* in December 2016. Meanwhile, a number of Group companies, such as LVMH Fragrance Brands, have entered into negotiations with employee representatives to finalize their agreements on the 2017-2019 *contrat de génération*.

Thanks to LVMH’s anti-discrimination policy, it is quite natural for Group companies to hire older employees. Newspaper Les Echos has set itself the initial target of having employees aged 55 and up make up 8% of its new recruits – a target that will be increased over the next few years. As regards training, Groupe Les Echos is committed to promoting access to vocational training for all employees, irrespective of their age, and especially for those aged 47 and up.

As well as recognizing that older employees have acquired valuable skills, the aim is also to provide for their continuous development and to pay special attention to keeping them in employment, notably by providing ergonomic workstations, reducing physical strain and optimizing working conditions more generally, in particular for jobs that involve the most physical or mental stress in workshops and at production facilities. Flexible working time arrangements are one example of the support provided by Louis Vuitton in France and Germany. LVMH Fragrance Brands has notified its employees over the age of 57 of new options including “annualized part-time working”, which translates to additional rest days (11 or 22 days over the course of a year). In Italy, Bvlgari gives out “senior awards” to recognize employees who have been with the company for a long time and to encourage long careers.

Group companies such as Le Bon Marché, Hennessy, Hublot and LVMH Fragrance Brands help prepare their employees for retirement, a major transition. Céline also signed a new *contrat de génération*

(cross-generation contract) in 2016 under which employees over the age of 50 will be able to attend an annual meeting providing them with a comprehensive overview of the various mandatory retirement plans and solutions designed to optimize their entitlements. Participants can also receive personalized support. Retirement information sessions are held at Hennessy and Louis Vuitton, enabling employees to best prepare for the switch from working life to retirement. Le Bon Marché set up two half-day discussion sessions with the company's supplemental retirement plan provider and scheduled one-on-one meetings for all employees over the age of 55. Hublot has put in place a range of measures including systematic retirement interviews and shorter working hours.

Lastly, one of the strategic considerations underpinning the Group's support for older employees is how to pass on expertise. For example, Louis Vuitton has developed mentoring training for senior staff at its stores in France. LVMH Fragrance Brands has set up a system of in-house instructors and mentors; in 2016, 26 in-house instructors delivered over 4,000 hours of training. In 2016, Moët & Chandon and Ruinart continued with a range of initiatives geared towards passing on expertise: mentor training; a *contrat de génération* providing for mentoring arrangements; introduction of a "work-linked training passport"; and completion of a mentoring charter. The company fully embraces training that taps into the wealth of multi-generational knowledge. In partnership with the Champagne-Ardenne Regional Association for the Improvement of Working Conditions (ARACT), the third stage of the "Agro Tour" focused on "Passing on strategic knowledge and skills".



## 4. SUPPORTING LOCAL COMMUNITIES AND REGIONAL DEVELOPMENT

*As some of the biggest employers in their local labor markets, the LVMH group's companies are committed to developing their businesses while addressing the specific social and economic needs of the regions in which they operate. The Group companies' contributions to regional development have included many ties with organizations that help local communities, such as by finding jobs for marginalized individuals, providing aid to populations in need, and caring for the ill.*

### ***Jobs and regional development***

**The LVMH way** ► A number of Group companies have been established for many years in specific regions of France and elsewhere in Europe, and play a major role in creating jobs in these regions.

**9,130** jobs created worldwide in 2016, 8,692 of them on permanent contracts, a very sharp increase of 136% relative to 2015 (net new jobs: 3,687).

Investment in research and development:

**€111 million**, up 14.4% in 2016 (2015: €97 million), following an already substantial 22.8% year-on-year increase in 2015 (2014: €79 million).

### **Group companies anchored in local communities**

The tremendous growth experienced by the LVMH group's companies has enabled them to keep many people in employment and hire new recruits. This has resulted in substantial job creation in all countries where the Group is present, particularly as a result of the expansion of the brands' own retail networks.

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 government, covering cultural and educational aspects as well as employment. Others have activities which are spread more widely across the country, like Sephora, which has stores throughout France (two-thirds of its workforce is employed outside the Paris region), enabling it to carry out a range of measures encouraging the development of job opportunities at the local level.

Net new jobs in 2016 totaled 9,130; of these, 8,692 were on permanent contracts, double the previous year's level. Layoffs (terminations for business reasons unrelated to worker performance) accounted for just 3.2% of all terminations, versus 4.3% in 2015.

Between May 20 and 22, 2016, the LVMH group opened the doors of some 40 Group companies as part of the *Les Journées Particulières* open days. After the success of the previous two such events, each of which attracted more than 100,000 visitors, 53 locations in France, Switzerland, Italy, Spain, Poland and the United Kingdom were opened to the general public, in some cases for the very first time. The event attracted unprecedented visitor numbers, with more than 145,000 people taking this opportunity to discover the expertise and history of Group companies. To add to this peek behind the scenes at Group companies, there was a special emphasis on digital communication. Teams from Facebook and Instagram joined in to enable the greatest possible number of people to access confidential areas and discover the artisanal expertise that has been protected down the ages through the eyes of members of the Instagram community.

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

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

## **Cosmetic Valley**

Parfums Christian Dior has a long-established production facility in Cosmetic Valley, and as such it plays a key role in promoting employment in the Perfumes & Cosmetics industries, with a total of 1,586 permanent and fixed-term staff. The site's manufacturing and logistics facilities have thus been central to a growth plan, enabling the hiring of more than 480 new employees between January 2011 and December 2016, with 200 net new jobs created in manufacturing, packaging and logistics.

Guerlain's skincare and makeup production site in Chartres, named *La Ruche* ("The Beehive"), was designed to meet the company's ambitions for growth, technological excellence, quality and sustainability. Since Guerlain opened its first workshop in 1828 in Paris, all of its products have been manufactured in France. *La Ruche* provides double the manufacturing space compared to the previous facility, further supporting Guerlain's "Made in France" commitment. It covers the entire manufacturing chain, from receiving raw materials to packaging finished products, with no interference between workflows.

Lastly, GIE LVMH Recherche is a major research hub in Cosmetic Valley, where it has achieved state-of-the-art breakthroughs benefiting all of the LVMH group's Perfumes & Cosmetics companies. Founded in 1981, GIE LVMH Recherche enables Group companies to independently develop future products using socially responsible, environmentally friendly methods. In 2013, LVMH Recherche strengthened its foothold in Cosmetic Valley with the creation of Hélios, its new research center at the Parfums Christian Dior site in Saint-Jean de Braye. It is staffed by 300 employees working in more than 20 different fields, offering their cutting-edge expertise in an open working environment that facilitates sharing

and discussion. Its ultra-modern connectivity and technological capacities are made available for use by LVMH Recherche researchers as well as various partner organizations, such as the Cosmet'up project, effectively launched in 2014 to encourage sharing via an open innovation process. Alongside public and private organizations, LVMH's research and development division contributes to an ongoing tradition of innovation. Cosmet'up is based on the creation of two "mirror" technology centers: one at the University of Orléans for fundamental research, and the other at Hélios working on individual support for concept validation.

## **Vendée (Pays de la Loire region)**

Sainte-Florence is one of Louis Vuitton's 12 leather workshops in France, preserving and perpetuating the Group company's expertise in leather goods. The site consists of two buildings, built in 1999 and 2001, every detail of which is designed to ensure the highest level of quality in manufacturing. Open and adjustable spaces mean the company can quickly and easily adapt to changing production requirements. The result is a space that reflects the demands of designing handbags for city streets or the runway.

## **Grasse region**

Dior is involved in the Grasse region, helping revitalize the area through the cultivation of flowers for perfume-making. It enters into exclusive partnerships with producers and purchases their entire harvest. On May 9, 2016, Dior officially opened the restored Château de la Colle Noire, Christian Dior's former residence at the heart of the Grasse region. Recalling the designer-perfumer's love for nature, Christian Dior's cherished Provençal home has been reborn as he imagined it in the 1950s. Located in Montauroux, near Grasse, the Château de la Colle Noire is nestled at the heart of the region that inspired Christian Dior to create his most iconic fragrances. The Château de la Colle Noire returned to Dior's ownership in 2013, and the company set itself the goal of bringing this iconic place back to life as it was at the time of Christian Dior. With the assistance of landscape artists, interior decorators and architects, Dior has breathed new life into the residence's rooms and gardens by replanting the designer-perfumer's favorite flowers. This exceptional location was opened on May 9, in the presence of such notable guests as actor Charlize Theron, Aurélie Dupont, the Director of the Paris Opera and former star ballerina, model Bella Hadid and musician Benjamin Biolay.

The event was extended by the opening of Les Fontaines Parfumées, the new joint perfume house of Louis Vuitton and Christian Dior, in Grasse on September 15, 2016. Located in the heart of Grasse, the world's capital of perfume, Les Fontaines Parfumées seeks to promote the expertise of the French luxury perfume industry. Louis Vuitton and Christian Dior have made a lasting commitment to supporting growers in the Grasse region by signing preferred partnership agreements. Les Fontaines Parfumées will also be a center for passing on expertise down the generations: apprentices will be trained by two Master Perfumers. Entirely dedicated to the creation of perfumes, Les Fontaines Parfumées will bring Louis Vuitton and Christian Dior together for the first time, blending their expertise in perfumes from flower to bottle. By setting up their creation workshop in Grasse, Louis Vuitton and Christian Dior will help protect regional perfume flowers, which guarantee exceptional creations, and preserve the Grasse region's legacy of four centuries of history and innovation. Grasse represents excellence in perfumery; it is the only place in the world to bring together the expertise of flower growers, artisans and perfumers, who work in constant interaction at each stage of the creation of a perfume.

## Italy

In Italy, in March 2012, Berluti decided to base its *Académie du Savoir-Faire* in the heart of the Emilia-Romagna region, where unemployment is notoriously high and which suffered badly from a serious earthquake in May 2012. This decision underscored Berluti's desire to tackle a local development issue with social, ethical and economic repercussions, in partnership with the local public sector. Ferrara is also home to the new Berluti shoes and leather goods workshop that opened in January 2015. The 8,000-sq.m production facility will help support the development of the brand, which has been active in this region, famous for men's shoes, since 1993. Although some production stages are mechanized, craftsmanship and expertise remain the order of the day. From prototyping to production, all stages of development are housed in the same building.

At the foot of the Alps in Piedmont, the Roccapietra mill, built in 1995, illustrates the special relationship between Loro Piana and nature. Hidden away in a valley, the building sets itself apart by its facade, which draws inspiration from the stones and rocks in the rivers that surround it, while the large bay windows flood the interior with natural light. It is a unique working environment where the world's most noble raw materials are transformed into exceptional yarns and fabrics: Andean vicuña, cashmere, baby cashmere, merino wool, and more.

### **Supporting SMEs and entrepreneurs**

**The LVMH way** ► The LVMH group sees supplier relations as a crucial link in its value chain. As such, the Group endeavors to maintain and promote responsible relationships with its partners, suppliers and subcontractors.

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 our suppliers.

In 2016, suppliers and audits broke down as follows by region:

	Europe	Asia	North America	Other <sup>(b)</sup>
Suppliers (as %)	71	17	9	3
Audits <sup>(a)</sup> (as %)	60	36	2	2

<sup>(a)</sup> 58% of which were initial audits and 42% follow-up audits.

<sup>(b)</sup> Including Africa.

Driven by the desire to interact closely with its suppliers, the Group helps them implement and comply with social and environmental best practices, while raising awareness and providing training on the sustainable development and responsible purchasing issues specific to their business. For a number of years, Group companies have provided their suppliers with tools to help them for example better understand their regulatory obligations relating to REACH – the EU chemicals regulation – and to make progress in this regard. Every year since 2014, a Supplier Forum has been held to bring together representatives of the Group's companies and their suppliers. To improve its supply chain's performance for Tier 1 suppliers and beyond, in 2014 the Group decided to join Sedex. Its approach is based on two main objectives: for suppliers, lightening the administrative load related to the proliferation of requests for audits, certifications,

etc.; for the Group, pooling supplier audits and assessments, not only among Group companies but also with other Sedex members. [For an overview of supplier relations, see the 2016 Reference Document, pp. 89-91.]

Hennessy provides an example of the kind of support offered to local producers. Most of the cognac *eaux-de-vie* that Hennessy needs for its production are purchased from a network of approximately 1,600 independent producers, a collaboration which enables the company to ensure that exceptional quality is preserved as part of an ambitious sustainable winegrowing policy. More than 50% of Hennessy's suppliers and subcontractors are local. This proactive approach by the company is reflected in the options it has adopted for the construction of a second packaging site, the expansion of storage capacity for *eaux-de-vie* and the construction of a new barrel and cooperage management center.

Hennessy has engaged in many actions to help develop and strengthen the local winemaking industry, which include financing a research project into grapevine trunk diseases and every two years organizing a technical forum to share with suppliers the technical and technological advances being tested by the company's winemaking division. Hennessy is also a partner in a project launched by the Cognac inter-district authority and the Nouvelle-Aquitaine region to create a center of excellence in glass-working crafts on its current cooperage site.

## Promoting startups

From June 30 to July 2, 2016, Paris hosted Viva Technology, a new event dedicated to digital transformation in Europe. As further proof of the Group's commitment to promoting innovation and encouraging digital entrepreneurship, the LVMH group was a partner to this first edition. The event, which was jointly produced by the Les Echos and Publicis groups, attracted 45,000 visitors and brought together key figures from the world of innovation for three days of conferences, discussions and meetings. Viva Technology has two goals: revealing startups at the cutting edge of innovation, and putting them in touch with major companies seeking the means of implementing their digital transformation and boosting their capacity for disruptive technology. As partner, the LVMH group hosted and ran the Luxury Lab, a 500-sq.m space entirely dedicated to the luxury goods sector. The lab formed a real hub for contact between entrepreneurs and representatives of the Group and its companies, hosting 44 startups that work on future challenges for the luxury goods industry in the Wines & Spirits, Fashion & Leather Goods, Perfumes & Cosmetics, and Watches & Jewelry sectors, as well as in Selective Retailing. To select the startups taking part in the Luxury Lab, the Group created a series of challenges on the collaborative CONNECT platform. The first on-line challenge asked candidates to address the question of personalizing the service offered to customers through a more detailed understanding of their desires and needs. The event was also an opportunity to highlight a selection of key innovations from Group companies, such as Sephora's Beauty Board, the Krug ID and TAG Heuer's Connected Watch.

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

## *Supporting integration through employment*

**The LVMH way** ► LVMH encourages its companies to support the causes it feels are most important, which include ensuring access to education for young people and promoting the social inclusion and employment of people who have been marginalized on the job market. The Group is aware of education's role in improving living conditions, social inclusion and employment prospects. The values of excellence and skills transfer promoted by the Group are a good catalyst for such improvement. The Group's companies have forged partnerships with local government and non-profit organizations to promote the social inclusion and employment of underprivileged populations.

*Nos Quartiers ont des Talents:*

**100** experienced managers served as mentors, and at the end of 2016, **71** young mentees were still participating. Since 2007, **468** young people have found jobs after being mentored by a Group employee.

Jobstyle sessions:

In 2016, **11** sessions were held and more than **150** people participated.

Sephora Stands program in the United States:

In 2016, **202** groups were set up, supporting a total of **1,750** women.

## **Boosting employment and employability**

The same focus on excellence behind our Group companies' success is what drives our efforts to provide educational opportunities for young people. Group companies have developed numerous partnerships with schools, most of which are located near their sites. Louis Vuitton, for example, has set up partnership arrangements between its production facilities in the French departments of Ardèche and Drôme and local schools to provide vocational training that leads to a CAP diploma in leather work and a BTS Production Technician diploma. Another partnership connects its Paris boutiques with a vocational high school in Seine-Saint-Denis. In 2016, Veuve Clicquot sponsored *Entretiens de l'Excellence* for the fourth year running. This registered non-profit organization, approved by the French Ministry of Education, provides encouragement and guidance to students who are interested in moving into highly skilled sectors but lack the courage or simply do not know where to start. To help connect companies with jobseekers, Parfums Christian Dior initiated the *2 000 emplois, 2 000 sourires* ("2,000 jobs, 2,000 smiles") job fair, held on May 12, 2016. The fair was organized at the Cosmetic Valley business cluster in France, and aimed to put young people and jobseekers in direct contact with recruiters at local companies. Employment advice was provided and 500 applications were received.

To help people return to work, in July 2016 Veuve Clicquot renewed its agreement with France's national job agency Pôle Emploi under the terms of a partnership set up in 1998. This innovative partnership aims to help jobseekers in northeastern France's *Grand Est* region throughout every step of the recruitment and skills development process. Similarly, Hennessy works with *100 Chances 100 Emplois* in the Cognac region. This non-profit organization aims to help young people and young adults from underprivileged neighborhoods find work using the *100 Chances 100 Emplois* process already in place in a number of labor markets. Moët & Chandon is a "reference company" at the local public jobs office in Epernay and

collaborates on local jobs and skills management initiatives in the area managed by the Epernay employment center. Moët & Chandon also participates in the authorization committee of the *Initiative Marne Pays de Champagne* project, in charge of promoting the creation of micro-businesses. It is also a major partner to local organizations that promote employment and social inclusion; the second-biggest local investor in educational projects after the city of Epernay; a partner in the work discovery week for students initiative organized by the local chapter of MEDEF, the French employers' association; and a member of AJE, an association that connects young people and businesses, which awarded the company its "AJE label" for its engagement in initiatives to promote learning through entrepreneurship. As sponsors of NEOMA Business School, mainly based in Reims, Veuve Clicquot and Krug also take part in the *Les Cordées de la Réussite* program, which provides mentoring for over 200 young people in the Champagne-Ardenne region. The aim is to help high school students find their bearings and define their aims in terms of careers and the world of work.

As part of its partnership with Paris suburbs Clichy-sous-Bois and Montfermeil (in Seine-Saint-Denis), for the sixth year running the LVMH group sponsored the *Cultures et Création* fashion show, held on February 13, 2016. This event, first held in 2005, showcases the wide-ranging creative talents of local designers. Every year, it attracts an audience of more than 700 people, and features 50 amateur and semi-professional designers and close to 200 volunteer models. Prepared by makeup artists from Guerlain, the models first attend master classes with Princess Esther Kamatari, a former model and ambassador for the Group's Perfumes & Cosmetics business. The 2015 winner, Audiane Cojean, joined Céline on a couture work-linked training program with the ESCP Paris school of couture. In 2016, the judging panel – composed of fashion and human resources professionals – awarded a "judges' favorite" prize to Claire Delahousse for her design work. Meanwhile, the *Jeune Talent* (young talent) prize, awarded to one young but underprivileged fashion enthusiast, went to Camille Boillet, whose style promotes designs suited to all body shapes and all types of disability. The 2016 winner received personalized design coaching and met with Dior couturiers to help her prepare to take part in Greenshowroom, an eco-fashion show held in Berlin on June 28-30 during Fashion Week.

This partnership also offers young people a wide range of initiatives, including "business discovery" internships for nearly 60 middle school students in 2016, visits to Group companies, internships for vocational school students, and career orientation. Since the program was launched, a number of young people have had the opportunity to join Group companies under a long-term work-linked training program at Paris's couture union school, and in 2016, the 2013 winner joined Christian Dior's Haute Couture workshop. On March 29, 2016, LVMH's Institut des Métiers d'Excellence (IME) was in Clichy-sous-Bois to present its full range of work-study programs. Visitors were able to discover professions as varied as couture, jewelry and sales. Over the course of an afternoon, the IME Village gave numerous partner schools the opportunity to present their diploma-track training courses for 2015-2016, with a range of vocational and technical courses requiring up to two years of higher education. Group companies taking part in the program were also on hand to meet future apprentices. Several people currently on work-study contracts attended the event to share their experiences. The IME covers a very wide range of subject areas, representing the different master crafts currently found at Group companies. Around 50 work-study positions were created over this period.

## **Supporting people excluded from employment**

To promote equal-opportunity access to world-class education, for the past five years LVMH has supported the priority education program run by the Institut d'Études Politiques (Institute for political studies, or Sciences Po Paris), by offering grants and enabling high school students from underprivileged neighborhoods to attend the school and be mentored by Group managers. On December 13, 2016, Sciences Po celebrated the program's 15th anniversary, along with the renewal of its partnership with the LVMH group for a further five years. Chantal Gaemperle, the LVMH group's Director of Human Resources and Synergies, sponsored the 2016 intake of students.

In France, the Group has forged a lasting partnership with the charity *Nos Quartiers ont des Talents*, and also serves on its board of directors. The organization offers young graduates from underprivileged backgrounds the chance to be mentored by a Group executive or manager. A number of Group companies participate in this program. In 2016, 100 experienced managers participated as mentors and, as of the end of 2016, 71 young people are still being mentored. Since 2007, 468 young people have found jobs after being mentored by a Group employee.

## **Promoting women's autonomy and self-confidence**

In May 2016, for the second year running, Benefit launched Bold is Beautiful, a beauty fundraising campaign to support projects spearheaded by women. During the month of May, all the proceeds generated by the brand's Brow Bars were donated to charities that empower women and girls around the world. Restoring women's self-confidence and encouraging them to dream big and be bold: these are the goals of the Bold is Beautiful campaign launched in 2015 by Benefit Cosmetics. In 2016, Benefit teams in Australia, Canada, France, Ireland, Singapore, Spain, the Middle East, the United Kingdom and the United States took part. Since the project's launch in 2015, over \$6.3 million has been donated to 20 non-profits in nine different countries, with more than \$3.4 million of this total raised in 2016 thanks to the participation of 209,000 people. The 20 charities supported all contribute in some way to promoting women's autonomy and self-confidence. Look Good Feel Better, for example, helps women undergoing treatment for cancer to regain their confidence and self-esteem. The charity organizes small-group beauty and makeup workshops, offering participants a shared experience of well-being and togetherness. Dress for Success helps women achieve economic independence by providing them with a support network, professional attire and career development tools.

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

In 2016, Sephora America launched Sephora Stands, a multifaceted social impact program. The program embodies the company's values in three areas: women in business, with Sephora Accelerate; support for local communities, with Classes for Confidence; and employee action, with Sephora Stands Together. The first year of operations yielded very positive results: in 2016, more than 300 hours of mentoring were dispensed by Sephora Accelerate, more than 200 Classes for Confidence sessions, and more than 4,000 employees were encouraged to get involved in local communities. Free 90-minute beauty sessions were offered to 202 groups of disadvantaged women, adding up to more than 1,750 women benefiting from the support of 125 non-profit partners. Some 70% of participants said that they had gained in confidence, with some reporting that they had gone on to have successful job interviews. A total of 136 US stores took part. This program also seeks to support businesswomen in the early stages of their careers by giving them practical and financial advice, particularly through mentoring. Sephora Accelerate aims to support 50 female beauty business entrepreneurs by 2020.

In France, Guerlain has supported Belle & Bien for the past 13 years. This non-profit organization is the French branch of the international Look Good, Feel Better program, which acts in 30 countries around the world in the fight against cancer. Belle & Bien offers free beauty workshops in hospitals to women suffering from cancer to help them rebuild confidence and self-esteem. Guerlain has been a member of the board of the organization since its foundation; it provides financial support and products and communicates on the work of Belle & Bien both inside the company and to clients. On February 4, 2016, Parfums Christian Dior staff from Paris and Saint-Jean de Braye also took part in the Beauty & Wellbeing day, which was an opportunity for volunteer employees to help support Belle & Bien. The staff took part in beauty and

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

Sephora is a partner to the Force Femmes non-profit. Created in October 2005 by female business leaders, Force Femmes was born out of a shared drive for solidarity between women who wanted to make a personal commitment in the area of employment. Force Femmes promotes the idea that women aged over 45 represent a strength for a company.

The *Les Echos* newspaper took part in the Young Women and Digital Forum organized by Social Builder on May 20, 2016 in Paris. Social Builder is a social startup that aims to improve the gender mix through innovation in practices, support for key players and the promotion of a culture of equality among tomorrow's leaders. The startup is currently extending its actions to the whole of France, with a primary focus on the digital economy.

Every year, on June 1, LVMH hosts *Journée K*, organized by the K d'Urgences Foundation, to mark "World Parents' Day." Make Up For Ever also takes part. This day gives single-parent families an opportunity to meet professional advisers who can help them with administrative formalities. In 2016, the company received a Single-Parent Charter Award, presented by Anne Hidalgo, Mayor of Paris.

### ***Supporting vulnerable populations and those in need***

LVMH and its Group companies are committed to helping disadvantaged communities. Their support may take the form of employee volunteering in these communities, product donations or financial aid.

### **The 2016 *Dîner des Maisons engagées* (Committed Companies Dinner)**

The fourth Committed Companies Dinner, celebrating the workforce-related and social commitments of the LVMH group's various companies, was held on Wednesday, December 7, 2016.

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

Every year, the Committed Companies Dinner also provides an opportunity to support a chosen cause. This year, the Coucou Nous Voilou non-profit organization headed by Marc Salem, a former employee of the Paris hospitals group, was selected. The organization's goal is to create and finance projects designed to improve the daily lives and hospitalization conditions of young patients: equipment purchases, decorations, creation of living areas, improvements, entertainment, etc. Coucou Nous Voilou received €40,000 in 2016.

The evening was also an opportunity to confirm the Group's commitment to two other non-profit organizations. First, €25,000 was donated to Kelina, a non-profit founded by Flora Coquerel that works to provide care for mothers and children. The funds raised have gone toward building a maternity unit in Benin, in a region with limited medical facilities. Second, €25,000 was donated to *K d'Urgences*, a

non-profit founded by Christine Kelly that provides emotional, social and financial support to single-parent families.

## **Group company partnerships**

Moët & Chandon and Ruinart have developed various partnerships with local authorities, educational institutions and organizations working with underprivileged groups. The company is a member of *Sortir de Prison, Intégrer l'Entreprise* (SPIE), a non-profit that partners with ARIFOR (regional action for information on training and orientation) and Lycée Hessel to help arrange internships for high school students with disabilities. It participates in the authorization committee of the *Initiative Marne Pays de Champagne* project, in charge of promoting the creation of micro-businesses. As well as being accredited by AJE (an association that connects young people with businesses), the company is also a major local partner of social inclusion non-profits – including *La Permanence du Jard, École de la 2e Chance* and *Oxygène*, which helps people find work in the wine sector – and the second-largest sponsor of educational projects after the Epernay city council.

On January 11, 2016, Louis Vuitton entered into a partnership with UNICEF (United Nations International Children's Emergency Fund), raising \$2.5 million for children in Syria and Nigeria. Louis Vuitton also supports Japanese non-profit *Kokkyo naki Kodomotachi*, which aims to help children from Iwate Prefecture, which was severely affected by the March 2011 earthquake and tsunami.

Back in 2009, Bvlgari decided to get involved with international non-profit Save the Children, whose mission is to defend the rights of thousands of children and work for lasting improvements in their living conditions in 120 countries. Since then, 700,000 customers have bought Bvlgari's "Save the Children" jewelry and the company has donated more than \$50 million. More than a million children directly benefit from the programs supported. Over 100 projects have been launched in 33 countries around the world, with a particular focus on improving school services and infrastructure. Through this partnership, more than 250 employees have been involved in Save The Children's projects on the ground. The company stepped up its support in August 2016, launching the #RaiseYourHand campaign. Many prominent figures agreed to raise their hands in a show of support for the cause championed by Bvlgari through a photo and film campaign directed by Fabrizio Ferri. The #RaiseYourHand campaign is aimed at empowering young people and offering them opportunities to thrive and achieve.

In 2016, Sephora continued its partnership with *Toutes à l'école*, an NGO promoting education for young girls in Cambodia. During the end-of-year holiday season, Sephora sells a special item through its store network, with all proceeds going to the organization. Also in Cambodia, since 2016 DFS has supported the Kuma education center, to the south of Phnom Penh, which works in the education, health and nutrition of very poor children, vulnerable adolescents and their parents. The structure was founded in 2012 by a Norwegian NGO, the Norwegian Association for Private Initiative in Cambodia (NAPIC).

## **Health and medical research**

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

Around the world, various Group companies are involved in supporting medical research into AIDS. For example, Bvlgari supports a range of humanitarian initiatives, including the Elton John AIDS Foundation (EJAF) and the international American Foundation for AIDS Research (AmfAR). Fresh has joined forces with the RED international non-profit to raise funds to tackle AIDS in Africa. The company has launched its

SUGA(RED) Lip Treatment Sunscreen SPF 15 with 25% of the selling price donated to RED, which used the funds to guarantee over two weeks' supply of medicines in Sub-Saharan Africa. In addition, a raffle was held among Fresh companies to raise additional funds for RED. A partnership with the Bill and Melinda Gates Foundation raised \$4,000 for RED. Hublot, meanwhile, supports Born Free Africa, which aims to tackle mother-to-child transmission of AIDS, while Kenzo provides financial support to Sidaction, the Telethon and Designers Against AIDS.

### **Supporting populations in disaster-stricken areas**

Following the earthquakes that shook central Italy in the summer and fall of 2016, LVMH's Italian companies (Aqua di Parma, Berluti, Rossimoda, Bvlgari, Loro Piana and Fendi) raised funds to support the people affected and help to rebuild the areas struck. Loro Piana donated funds to help rebuild the Amatrice hospital in Rieti, Italy. In parallel, Fendi teamed up with social NGO Lai momo, which in 2017 aims to provide support to refugees and help them develop professional skills and expertise.

De Beers Diamond Jewellers continued its partnership with Women for Women International, which supports women living in war-torn regions by offering them vocational training, making sure they know their rights and helping them set up micro-businesses.

## REPORTING METHODOLOGY

 As stated in the introduction, this 2016 Social Responsibility Report is derived from LVMH's 2016 Reference Document and reiterates and supplements some of the workforce-related and social information covered by LVMH's four pillars of corporate social responsibility.

### Training and organization:

Since 2010, all staff members involved in Group reporting on employee-related data 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 data, 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. Reporting on workforce-related data is supplemented by a report on practices and action taken by Group companies during the year, known as the CSR Report. This report is overseen by the Directors of Human Resources.

### Protocol:

- The mapping between organizational and legal entities ensures consistency between reporting on employee-related data and financial reporting. Accordingly, the scope of reporting on employee-related issues covers all staff employed by fully or proportionally 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 run throughout the reporting cycle to ensure that the data entered is reliable and consistent.
- Group reporting on employee-related data includes a survey of corporate social responsibility practices and initiatives. This survey, which is run on all Group companies, covers the most common social responsibility issues: respect for human rights, diversity and preventing discrimination, skills development, working conditions, listening to and dialoguing with employees, and engaging with local communities. For each of these topics, the survey form includes references to the conventions and recommendations of the International Labor Organization.

### Scope:

- 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 have been calculated across 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. When some metrics have been calculated solely for entities in France, this is explicitly stated, depending on the data and metrics examined.
- 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 law.

**Verification:** Since fiscal year 2007, selected employee-related disclosures for the Group have been audited by one of the Statutory Auditors. For fiscal year 2016, company data was audited 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 2016 Reference Document (pp. 108-110).

## SUMMARY REPORT OF SOCIAL RESPONSIBILITY DATA

### *GRI (version G4) indicators used*

2016 Social Responsibility Report	2016 Reference Document
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#### Employment:

9	LA1	pp. 5, 22, 32 et 51-60	pp. 74-78 and 81-84
10	LA12		
51		-	pp. 61-68

#### Health and safety:

LA5	LA7	pp. 6 et 38-48	pp. 87-88
LA6	LA8		

#### Training:

LA9		pp. 6, 27-36, 38-41, 52, 54, 56-60 et 67-68	pp. 85-86
LA10			
LA11			

#### Equal treatment:

LA3		pp. 5-6 et 51-60	pp. 81-84
LA12			

#### Regional, economic and social impact:

EC7	SO1	pp. 62-72	pp. 91-94
EC8	SO2		
HR8			

#### Stakeholder relations:

16	27	pp. 18-20, 43-44, 46-50 et 62-72	pp. 88-94
24	37		
25	EC7		
26			

#### Subcontractors and suppliers:

12	HR9	pp. 65-66	pp. 89-91
LA14	HR10		
LA15	HR11		
EN33	SO9		
HR5	SO10		
HR6	EN32		

## Topics and indicators from the French Decree of April 24, 2012 (Grenelle II)

2016 Social Responsibility Report	2016 Reference Document
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Employee-related information:

### a) Employment:

Total headcount and breakdown by gender, age group and region	pp. 5, 22 et 53-55	pp. 74-76
Hiring and dismissals	–	pp. 76-78
Compensation and changes	p. 36	pp. 80-81

### b) Organization of work:

Organization of working time	pp. 42-46	p. 79
Absence rate	p. 42	p. 79-80

### c) Labor relations:

Organization of labor-management dialogue, in particular staff information and consultation procedures, and for negotiations with employees	pp. 45-49	p. 88
Overview of collective agreements	pp. 45-49	p. 88

### d) Health and safety:

Occupational health, safety conditions and quality of life at work	pp. 38-46	p. 87
Work accidents (in particular their frequency and severity), occupational illnesses	p. 38	p. 87
Review of agreements signed with trade unions and employee representatives on occupational health and safety conditions	pp. 45-49	p. 88

### e) Training:

Training policies implemented	pp. 6, 27-35	pp. 85-86
Total number of training hours	p. 27	p. 86

### f) Equal treatment:

Measures taken to promote gender equality	pp. 53-55	pp. 81-83
Measures taken to promote employment and integration of people with disabilities	pp. 56-59	pp. 81, 84 and 92-93
Anti-discrimination policy	pp. 51-60	pp. 76-77, 81-84 and 91-94

### g) Promoting and complying with the fundamental ILO conventions:

Respect for freedom of association and the right to collective bargaining	pp. 14 et 45-49	pp. 81, 88 and 94
Elimination of discrimination in the field of employment and occupation	pp. 14-15, 51-52 et 53-59	pp. 76-77, 81-84, 88-89 and 91-94
Elimination of forced or compulsory labor	p. 14	pp. 76-77, 81, 88-89 and 94
Effective abolition of child labor	p. 14	pp. 76-77, 81, 88-89 and 94

Data on corporate commitments in favor of sustainability:

a) Regional, economic and social impact of the company's operations:

On employment and regional development	pp. 62-72	pp. 89-94
On neighboring and local populations	pp. 67-72	pp. 91-94

b) Relationships maintained with persons or organizations interested in the company's operations, including social inclusion and employment bodies, educational institutions, environmental protection organizations, consumer associations and neighboring populations:

Conditions for dialogue with these persons or organizations	pp. 15, 18-20 et 46-49	pp. 88-94
Partnership or corporate sponsorship initiatives	pp. 6, 15, 20, 23-25, 58-59 et 65-72	pp. 88-94

c) Subcontractors and suppliers:

Taking social and environmental issues into account in the purchasing policy	pp. 65-66	pp. 89-91
Importance of subcontracting and taking suppliers and subcontractors' social environmental responsibility into account in relationships with them		

d) Ethical practices:

Anti-corruption initiatives	pp. 81, 88-91 and 94
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Measures taken to safeguard consumers' health and safety	pp. 106-107
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e) Other action taken under Point 3 in support of human rights	pp. 81-84, 88 and 94
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## Sustainable Development Goals

In keeping with the commitments made by LVMH – particularly with respect to the Millennium Development Goals – the Group supports the Sustainable Development Goals (SDGs) drawn up and developed by the United Nations in 2015. The 17 SDGs are a global call for action by 2030 to reduce inequality, make the world a better place for future generations and ensure that all human beings are able to live in peace and prosperity. The LVMH group’s corporate social responsibility strategy is a driving force behind meeting the 17 SDGs.

While the 17 Goals are designed to be interdependent, the following table details and connects the existing relationships and levers that exist specifically between the SDGs and the four CSR priorities presented in this report.

 Strong, direct contribution to meeting the goal (related to business lines)

 Other contribution to meeting the goal (indirect or voluntary)

The four strategic CSR priorities in the 2016 Social Responsibility Report <sup>(1)</sup>	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
<b>① Developing talent and skills</b>																	
Special ties with schools and building a digital presence																	
Identifying the next generation of designers and preserving expertise																	
Awareness/training programs and career paths within an international group																	
Compensation and incentive plans																	
<b>② Managing well-being at work</b>																	
Health and safety issues																	
Programs and initiatives to promote well-being at work																	
Labor relations and satisfaction surveys																	
<b>③ Preventing discrimination and respecting individuality</b>																	
Promoting gender equality in the workplace																	
Fostering the employment of people with disabilities																	
Providing career support for older workers																	
<b>④ Supporting local communities and regional development</b>																	
Jobs, suppliers and regional development																	
Supporting access to employment																	
Supporting vulnerable populations and those in need																	
<sup>(1)</sup> For more information on how the LIFE environmental program helps the Group meet the SDGs, please refer to LVMH’s 2016 Environmental Report (p. 14).																	

