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Twenty-five years ago, the first Earth Summit was held in Rio. Issues concerning ecology did not then arouse a great deal of interest in society, but our Group maintained a longstanding conviction that future development would necessarily be sustainable.

That was back in 1992. We opted for a unique approach: a real Environment Department directly responsible to General Management. We thereby consecrated our commitment and assigned a mission to this new Department: to fix, at Group level, ambitious environmental targets and to support our Maisons in attaining these objectives.

As the world leader in luxury, it is the duty of LVMH to be exemplary. Our Maisons make use of rare and precious natural raw materials in the formulation of their products. We have no option other than to seek to preserve these resources which constitute our common heritage. With regard to the environment, just as in our products, we strive for excellence.

In 2015, on the occasion of the COP21 in Paris, I decided to set up a carbon fund assigning a price to our greenhouse gas emissions. In 2016, another important step forward was taken with the launch of LIFE 2020 which set each of our Maisons four objectives aimed at achieving a single goal: reducing the CO₂ emissions linked to our energy consumption by 25%.

Our inclusion of ecological imperatives as a source of innovation and creativity has a leverage effect on our growth strategy. To continue moving forward, facing our future, with our determination and our creativity. LVMH Group is proud to have been a precursor. It is committed to remaining one.

Bernard Arnault
Chairman and Chief Executive Officer
Celebrating the action taken...
by Sylvie Bénard, Environment Director

“We are currently celebrating this amazing path that LVMH ventured down twenty-five years ago, in order to reduce its impact on the environment and develop its expertise in the service of the excellence of its products. Protecting natural resources is both an imperative and an opportunity for our Group. It is an imperative, because our business activities depend directly on ecosystems, on the quality of our raw materials and our supply chains: we are genuinely striving to secure our company’s long-term future, while our position as the leading global luxury goods group requires us to set an example. It is an opportunity, because protecting the environment is not a restriction for us, but an innovation driver that constantly broadens the scope of possibilities and leads us further forward. This is true in all our businesses! When I look at everything we have accomplished, and the amazing energy we have displayed on a daily basis, I am proud of the collective work performed, and determined to continue, with you, to make it grow.”
… preparing for the future
by Antonio Belloni, Deputy Chief
Executive Officer

“In true LVMH style, I would say that the best is yet
to come. We are looking to the future, and to Future
LIFE! The launch of the LIFE program in 2012 has
enabled us to structure our environmental approach,
to identify the challenges most relevant for our com-
pany, and to adjust them to the wide diversity of our
Maisons. Each Maison has incorporated this program
in its strategic plan. This work has been very valuable
in terms of involving a large number of employees
and creating a common language. We have already
reached the full rollout stage for the four LIFE 2020
objectives. This is an approach based on increasingly
high standards and ongoing improvement. It is a goal
shared with the Group’s 145,000 employees. Most
importantly, they are detailed commitments, and we
are prepared to allocate the resources required to
fulfill them. We have a responsibility to be above
reproach in this field, to give even greater meaning
to our position as leader in the luxury goods market.
Meanwhile, we are determined to do this by drawing
on the values of excellence, competitiveness, and the
entrepreneurial spirit that best describe us.”
LVMH and the environment, a long story

Twenty-five years ago, LVMH confirmed its determination to become involved in order to protect natural resources. The Group and its Maisons have constantly strengthened their commitment since that date. Let us review the key dates of an environmental policy in keeping with a long-term approach.

1992
LVMH sets up a pioneering body, the Environment Department. The same year, Hennessy launches the first analysis of a product’s life cycle.

1995
The Maisons in the Perfumes & Cosmetics business sector set up an ethno-botany department. The aim of this department is to protect plant species that are of interest for cosmetics.

1998
Hennessy was the first wines and spirits company in the world to obtain ISO 14001 certification, which has been renewed every three years since that date.

2001
LVMH innovates in the luxury goods industry by producing a first environmental report. Bernard Arnault goes further by signing an Environmental Charter that confirms the Group’s environmental goals in the name of all the company’s employees.

2002
While ADEME (French Environment and Energy Management Agency) is still reviewing the carbon report method, most of the LVMH Maisons are already trialing this new tool, which enables them to measure their CO₂ emissions.

2003
LVMH joins the Global Compact, a United Nations initiative that aims to encourage companies to adopt a socially responsible attitude.

2004
Two tools are created to help the Group’s Maisons eco-design outstanding products: "an environmental trend handbook", and an online "materials library" that lists environmentally-friendly components and materials.

2005
At the Aichi World Expo in Japan, Louis Vuitton highlights the subject of the environment and the reduction of greenhouse gas by creating a Maison built entirely of salt, a natural and high-quality material. This temporary building was dismantled after the event, and the salt thrown back in the sea.

2006
Louis Vuitton inaugurates Eole in Pontoise, the first warehouse in France built according to the High Environmental Quality (HEQ) method.
2008
LVMH draws up a Code of Conduct for its suppliers, in order to extend the commitments made in its Environmental Charter. The following year, this Code is supplemented by a Code of Conduct intended for the employees.

2009
In Pithiviers, CEDRE (Environmental Center for Environmentally-Friendly Packaging Elimination and Recycling) begins to treat metric tons of waste generated by the Group’s Maisons.

2012
LVMH commits to the French National Strategy for Biodiversity. The Group gives an internal boost to its environmental policy by launching the LIFE (LVMH Initiatives For the Environment) Program.

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

2016
The Group launches the “LVMH LIFE in Stores” Program to encourage and support environmentally-friendly best practices in its sales areas.

2017
LVMH celebrates the 25th anniversary of its Environment Department at an evening event called Future LIFE (see page 22) and presents its LIFE 2020 environmental objectives that will enable the Group to pursue its historical commitment to the environment.
ENVIRONMENTAL EXCELLENCE, A LONG-TERM GOAL

IN 2017, LVMH PURSUED ITS INITIATIVES TOWARDS ACHIEVING ENVIRONMENTAL EXCELLENCE. THIS LATEST YEAR OF EFFORT IS IN KEEPING WITH A LONG-TERM APPROACH, WHICH BEGAN ALMOST A QUARTER OF A CENTURY AGO. AT A VERY EARLY STAGE, THE GROUP MADE PROTECTING THE ENVIRONMENT A CORNERSTONE OF ITS GROWTH STRATEGY. IT DREW UP A FRAMEWORK FOR ACTION AND PROGRESS DRIVERS, TO WHICH WERE ADDED, OVER TIME, AN INCREASING NUMBER OF BEST PRACTICES IN ORDER TO IMPLEMENT ITS ENVIRONMENTAL POLICY EFFECTIVELY.
THE FRAMEWORK FOR ACTION

A pioneering and strategic commitment

Protecting the environment is a priority for LVMH. This approach is not merely the brand of a company conscious of its duties and responsibilities towards the community. For the Group, it is also a means to confirm its values of excellence, sustainability, and transmission, as well as its development model, which is based on a long-term vision. The major player in the luxury goods industry, the Group designs high-quality products, including perfumes and cosmetics, fashion and leather goods items, wines and spirits, and watches and jewelry. To manufacture them with the same concern for perfection, its Maisons process natural materials, many of which are rare and precious. Safeguarding this capital is crucial, since it is a source of inspiration and a development driver, and also guarantees the company’s future.

LVMH is implementing a proactive environmental policy in order to protect the quality of water, air, and the soil, as well as the diversity of animal and plant species. As a global leader, the Group seeks to set an example: Its approach is characterized by very high standards, and a substantial financial effort: the company’s purely environmental expenditure amounted to €35 million in 2017, including operating expenses of €14.5 million and investments of €20.5 million. This policy is based on three fundamental documents: The Environmental Charter signed by Bernard Arnault in 2001 and the two Codes of Conduct drawn up in 2008 and 2009 to optimize the practices of the Group’s suppliers and employees. In these documents, which were updated in 2017, LVMH confirms five goals: achieving a high level of environmental performance, creating a collective commitment, optimizing the management of environmental risks including the environmental aspect in product design, and becoming involved and taking action outside the Group. LVMH’s action for the environment is part of a framework created by many voluntary, national, and international commitments. In 2003, the Group joined to the United Nations Global Compact, which promotes companies’ sense of civic responsibility. It also wants to contribute to the Sustainable Development Goals set by many countries in 2017 (see also the box-out below). In France, LVMH joined the 2011-2020 National Strategy for Biodiversity. This is the French version of the 2011-2020 Global Strategic Plan for Biodiversity adopted at the Nagoya Convention on Biological Diversity in 2010. The company also supports the Universal Declaration of Human Rights, the OECD Guiding Principles, the International Labor Organization’s Fundamentals Conventions, the Caring for Climate Program that supplements the United Nations Global Compact, the Kimberly Process (the international certification scheme for rough diamonds), and the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES).

A structural program

In 2012, LVMH boosted its environmental initiative by launching LIFE – LVMH Initiatives For The Environment. This program is based on nine challenges that are key to the Group’s environmental performance, from product design, the procurement of raw materials, industrial, the transportation and sale of products. Since 2015, every Maison has incorporated the program into

LIFE FRAMEWORK’S CONTRIBUTION TO THE SUSTAINABLE DEVELOPMENT GOALS (SDGS)

<table>
<thead>
<tr>
<th>Stake of the LIFE framework</th>
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<tbody>
<tr>
<td>1. Integrate environmental performance since the design stage</td>
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<td>2. Secure access to strategic raw materials</td>
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<td>3. Material and product traceability and compliance</td>
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<td>4. Environmental and social responsibility of suppliers</td>
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<td>5. Protection of critical know-how</td>
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<td>6. CO₂ impact of activities</td>
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<td>7. Environmental excellence of production process activities</td>
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<td>8. Sustainable and repairable products</td>
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<td>9. Well-handled client’s request in relation to the environment</td>
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</table>

- Strong contribution to the goal
- Contribution to the goal
A FLAGSHIP COMMITMENT: THE GROUP’S CONTRIBUTION TO THE SUSTAINABLE DEVELOPMENT GOALS

On September 25, 2015, in the sidelines of the United Nations General Assembly, 193 leading world figures committed to reaching the 17 Sustainable Development Goals (SDG). These goals, which are broken down into 169 “targets”, aim to sustainably guarantee the fate of future generations. Their aim is threefold: to end extreme poverty, to combat inequality and injustice, and to solve the problem of climate change. LVMH, which supports this initiative and wishes to participate in the efforts made, has launched a review aimed at assessing the contribution of its LiFE Program to the SDG. More than 150 measures, covering 12 objectives and 34 targets, have been reviewed in detail. Analysis showed that the Group made a particularly large contribution in two areas: responsible consumption (Goal 12) and combating climate change (Goal 13). However, this assessment remains incomplete as LVMH’s social and societal policy was not taken into account.
## The Business Groups’ Main Concerns

<table>
<thead>
<tr>
<th></th>
<th>Wines &amp; Spirits</th>
<th>Fashion &amp; Leather Goods</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Saving energy resources and combating climate change</strong></td>
<td>• Packaging production.</td>
<td>• Store lighting and air-conditioning.</td>
</tr>
<tr>
<td></td>
<td>• Distillation.</td>
<td>• Transportation of product shipments.</td>
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<tr>
<td></td>
<td>• Transportation of product shipments.</td>
<td></td>
</tr>
<tr>
<td><strong>Protecting and saving water resources</strong></td>
<td>• Water consumption (irrigation of vines in Australia, New Zealand, Argentina and California).</td>
<td>• Protection and saving of water resources.</td>
</tr>
<tr>
<td></td>
<td>• Production of effluents containing organic matter during wine-making and distillation.</td>
<td></td>
</tr>
<tr>
<td><strong>Protecting ecosystems and natural resources</strong></td>
<td>• Especially plant resources (vines) required for production.</td>
<td>• Especially plant resources (textile fibers) required for production.</td>
</tr>
<tr>
<td></td>
<td>• Exotic leather.</td>
<td>• Fur.</td>
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<tr>
<td></td>
<td>• Fur.</td>
<td></td>
</tr>
<tr>
<td><strong>Waste recovery</strong></td>
<td>• Wine-making and distillation processes.</td>
<td></td>
</tr>
<tr>
<td><strong>Reduction in impact of production and transformation of raw materials, specifically through eco-design</strong></td>
<td>• Packaging.</td>
<td>• Packaging.</td>
</tr>
<tr>
<td></td>
<td>• Cotton and other textiles, leathers.</td>
<td>• COTTON and other textiles, leathers.</td>
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<td></td>
<td>• Tanning.</td>
<td>• Tanning.</td>
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</table>

### Key Figures for 2017

At constant scope, LVMH succeeds to improve most of the environmental indicators; a positive outcome compared to the 5% of organic revenue growth.

- **-1%** reduction in energy consumption in stores, in kWh/square meters
- **-11%** reduction in greenhouse gas emissions: 266,312 metric tons
## The Business Groups' Main Concerns

### Wines & Spirits
- Packaging production.
- Transportation of product shipments.
- Store lighting and air-conditioning.

### Fashion & Leather Goods
- Packaging production.
- Transportation of product shipments.
- Store lighting and air-conditioning.

### Perfumes & Cosmetics
- Packaging production.
- Transportation of product shipments.
- Store lighting and air-conditioning.

### Saving energy resources and combating climate change
- Packaging production.
- Distillation.
- Transportation of product shipments.
- Store lighting and air-conditioning.

### Protecting and saving water resources
- Water consumption (irrigation of vines in Australia, New Zealand, Argentina and California).
- Production of effluents containing organic matter during wine-making and distillation.

### Protecting ecosystems and natural resources
- Especially plant resources (vines) required for production.
- Especially plant resources (textile fibers) required for production.
- Exotic leather.
- Fur.
- Packaging.
- Stones and precious metals.
- Exotic leather.

### Waste recovery
- Wine-making and distillation processes.
- WEEE (waste from electrical and electronic equipment, such as batteries).

### Reduction in impact of production and transformation of raw materials, specifically through eco-design
- Packaging.
- Packaging.
- Packaging.
- Packaging.
- Constituents of perfumes and cosmetics.

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### Environmental Indicators (2017)

<table>
<thead>
<tr>
<th>Perfumes &amp; Cosmetics</th>
<th>Watches &amp; Jewelry</th>
<th>Selective Retailing</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>-1%⁽¹⁾</strong>&lt;br&gt;reduction in energy consumption:</td>
<td>-</td>
<td><strong>-4%⁽¹⁾</strong>&lt;br&gt;reduction in the total amount of waste generated:</td>
</tr>
<tr>
<td>966,918 MWh</td>
<td>-</td>
<td>77,805 metric tons</td>
</tr>
<tr>
<td><strong>-51%⁽¹⁾</strong>&lt;br&gt;reduction in water pollution:</td>
<td>-</td>
<td><strong>+1%⁽¹⁾</strong>&lt;br&gt;increase in the packaging delivered to customers:</td>
</tr>
<tr>
<td>1,659 metric tons</td>
<td>-</td>
<td>208,971 metric tons</td>
</tr>
</tbody>
</table>

⁽¹⁾ Change at constant consolidation scope compared with 2016.
its strategic plan presented annually to the Group’s Executive Committee. Each Maison selected its most strategic environmental challenges, based on its activities and specific problems. Bvlgari, for example, has selected five such challenges: the securing of access to raw materials; the compliance and traceability of raw materials; the social and environmental responsibility of suppliers; the impact of its business activities on climate change; and the environmental excellence of its processes. For each challenge selected, annual improvement objectives have been set. The Maisons have then implemented the action plans to achieve them, accompanied by indicators that monitor the results. The main challenges for each business sector include, for example: saving water for Wines and Spirits; the lighting and air-conditioning of stores for Fashion and Leather Goods; the eco-design of packaging for Perfumes and Cosmetics; the managing of waste electrical and electronic equipment for Watches and the preservation of precious stones and metals for Jewelry; and the transportation of products for the Selective Retailing sector.

LIFE has provided a platform and a backbone for LVMH’s environmental policy, by structuring the initiatives implemented about a united view and a collective commitment, as part of a long-term approach. The program has set priorities to be shared and has reinforced the integration of the environment in the Maisons’ strategy and management processes. Hennessy provided further evidence in 2017 when it launched its new integrated Quality, Safety, and Environment policy: the Maison is thereby making 12 key commitments, which range from implementing an analysis of the occupational, health, and environmental risks, to the involvement of all employees, including an ongoing improvement approach. In fact, by creating a shared language, LIFE has made it easier to raise employees’ awareness and involve them, has encouraged internal cooperation and joint action, and has accelerated the dissemination of best practices.

Thanks to this program, LVMH has been able to give new momentum to its environmental policy and embark on an ongoing improvement approach. Since its introduction, the program has become a source of continuous progress for the company. A true driver of innovation, it also contributes to cost-reduction, to protecting the image of its brands, and to improving its internal and external communications. Today, the way in which the Group responds to its environmental problems

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**THE DYNAMICS OF THE LIFE PROGRAM**

LVMH decided to strengthen its environmental approach in 2012, via a global program, called LIFE (LVMH Initiatives For the Environment), which is structured around nine aspects of environmental performance:
ACCELERATING THE PACE WITH LIFE 2020

In 2015, LVMH had reached a plateau in the rollout of its environmental policy: a mature approach, team involvement and huge increase in the initiatives for performance improvement. To achieve even greater consistency and efficiency in 2016, the Group decided to move to a new level: defining and setting objectives in respect of certain challenges in the LIFE Program shared by all its Maisons, whatever their business group. The aim was twofold: capitalize on experience, and do better and go faster by involving its teams around their new ambitions. This is how LIFE 2020 was created. It provides LVMH with a course to steer towards until 2020 in four strategic areas: the environmental footprint of the products, sustainable procurement, greenhouse gas emissions and improving the environmental impact of production facilities and stores.

*Target: products*

**Improving the environmental performance of all products**

The Group’s Maisons will improve the environmental performance of all of their products by 2020, by taking into account their entire life cycle. To achieve this objective, the Maisons can rely on the array of tools made available to them by the Environment Department. In 2016, LVMH launched the second version of Edibox, an Internet tool developed in-house that calculates the Environmental Performance Index (EPI) of the Perfumes & Cosmetics Maisons’ packaging, as well as the CO2 impact of their packaging materials. Thanks to this new version, the transportation and processes for treating and decorating packaging material can be incorporated into their emission estimates. The Wines & Spirits Maisons also calculate an EPI for all their products. Both business groups have set themselves the target of a 10% improvement in their rating by 2020.

*Target: supply chain*

**Applying the highest standards in 70% of the procurement chains, in order to reach 100% by 2025**

The search for excellence at every level of its sectors is the focal point of LVMH’s initiative. The Group has been implementing a sustainable procurement policy for several years. It pays considerable attention to the traceability and compliance of the materials and substances used to manufacture its products. It also works in close collaboration with its suppliers and subcontractors, in order to develop responsible practices, and increasingly includes these practices in its environmental policy. The Maisons continue along this path: they ensure that they apply the highest environmental standards in their raw material procurement processes and with their suppliers, in 70% of their procurement chain by 2020, and then 100% in 2025.

*Target: climate change*

**Reducing by 25% the CO2 emissions associated with energy consumption**

The Group has often played a pioneering role in combating climate change: for instance, it was one of the first companies to test its carbon footprint, or launch the LVMH carbon fund at COP21 in Paris. It now has a new target, i.e. reducing CO2 emissions linked to the consumption of energy by 25% between 2013 and 2020. The priority initiatives to be implemented concern the energy efficiency of the stores, which cover more than one million square meters throughout the world and are responsible for 80% of the Group’s emissions linked to energy consumption. In parallel, the Maisons will continue to increase the percentage of renewable energy in their energy mix.

*Target: sites*

**Improving environmental performance indicators by at least 10% for all production and administrative sites and stores**

As a major operator in the luxury goods sector, LVMH has a duty to set an example at all the 387 sites where its products are designed and manufactured, as well as in its 4,000 stores. As part of its LIFE 2020 objectives, the Group wants to go further and has asked its Maisons to reduce at least one indicator of their choice (water consumption, energy consumption and/or production of waste) at their sites between 2013 and 2020, and to install their own environment management system seeking continual improvement. At the same time, the energy efficiency of the stores must be improved by 15%, and new stores must achieve a rating of 50/100 in the “LVMH Store Guidelines” matrix.
has a profound influence on its development, shapes the future challenges in its markets, and determines the growth opportunities of its Maisons.

**An adapted organizational structure**

LVMH’s historical commitment to the environment explains why the company was one of the first to set up a Department dedicated to the Environment. This pioneering body was set up in 1992, the year of the Third Earth Summit organized in Rio, Brazil. The Department reports directly to Antonio Belloni, the Group’s Deputy Chief Executive Officer, and now includes about a dozen experts. LVMH’s Environment Department has been charged with instilling a shared view, and with setting the broad lines of action in all areas relating to the protection of natural resources. It implements the LIFE Program, acts as an interface between the Executive Committee and the Maisons’ management teams, and coordinates cross-divisional initiatives. It steers the global environmental reporting process and ensures that the commitments made are respected. The Department also helps the Maisons implement successfully their own environmental policy, and offers each Maison useful information, practical tools, and tailor-made support.

LVMH’s Environment Department works very closely with a network of Environment Officers at the Group’s Maisons. To act effectively, the company has in fact prioritized an organizational structure that is both decentralized and unified, which unifies various activities and businesses with highly specific features, without standardizing them. The network of Environment Officers now includes about 60 men and women from diverse backgrounds: agronomists, finance managers, communications specialists, and packaging specialists, etc. They all share a high level of environmental expertise and one mission: to back, convey and roll out the LIFE Program within their Maison. Several times a year, the Environment Department gathers these Officers together in Environment Committee meetings. These regular meetings are special occasions for exchanging views and learning from each other. They enable the attendees to be updated on the rollout of the LIFE Program and the achievement of its objectives, to share best practices, and to meet international experts on specific subjects such as the new energies. In order to supplement and extend these meetings, the Environment Department, as it does every year, has organized specialist in-house working groups, such as groups dealing with eco-design or the environmental management of the stores. Like the Group, some Maisons have adapted their organizational structure in order to implement their environmentally-friendly initiatives successfully. Louis Vuitton has entrusted its environmental strategy to a specific department and has set up steering groups on subjects such as recycling, energy, or the ISO 14001 environmental certification. The initiatives, once launched, are taken over by about 100 officers at Head Office, in the workshops and in the geographic business regions, where local
Green Teams have recently been created to bring together the key environmental performance functions. The Maison also has a network of CSR ambassadors in countries such as Japan, China, Italy and Switzerland. In some countries (China, for example), these ambassadors are supplemented by a network of officers in each store: the green advisors. Guerlain has set up a Sustainable Development Division, as well as a dedicated committee that includes 18 employees from all its divisions. Hennessy organizes an Environment Committee twice a year, which is attended by 40 people who represent all its departments. The Maison has also set up three environmental subcommittees, which focus on production and shipment, administration, and spirits respectively.

Performance that is assessed
LVMH quickly equipped itself with the means to assess the impact of its activities on natural resources, to identify the improvements to be prioritized, and to measure the progress achieved. Starting in 1988, LVMH introduced Cascade, a reporting tool covering the main subjects relating to the environment. The data gathered by Cascade are audited by an independent third party. They are published in the Environmental Report that LVMH has prepared each year as of 2001 and have been included since 2004 in the Management Report prepared by the Group’s Board of Directors. This information can also be viewed on the www.lvmh.fr website and is sent to LVMH’s stakeholders on request.

At Group level, 1,497 social and/or environmental audits were carried out in 2017, more than 80% of which were conducted by specialist third parties at 1,015 of our suppliers. 58% of the audits covered both social and environmental criteria. Although 55% of the audits completed were in line with Group standards, 30% revealed minor cases of noncompliance, 12% showed a significant need for improvement on the supplier’s part, and 3% revealed a case of major noncompliance. The observed breaches primarily concerned the Health & Safety indicator. A total of 570 corrective action plans were implemented following these audits. For many years, industry audits have enabled the company to validate, in the field, its suppliers’ sustainable practices and the quality of the raw materials obtained. The audits conducted to date have covered the plants used in cosmetics in Asia (Thailand and China) and Africa (Madagascar and Burkina Faso), the cashmere produced in Mongolia, and the crocodile species in several countries, as well as small local mines in Peru. This policy is backed up by the audits initiated by the Maisons themselves.

LVMH is determined to work every day to find new solutions to environmental and social challenges and also uses external assessments. The Group replies to certain questionnaires issued by independent nonfinancial rating agencies, as long as they are not accompanied by a request for financial information. It takes care always to ensure that no genuine or perceived con-

flicts of interest arise. LVMH’s historical commitment to the environment has earned it the right to be included among the companies featured in the main indices based on responsible investment criteria, namely the FTSE-4Good Global 100, EuroNext Vigeo Eurozone 120 and the Ethibel Sustainability Indices Europe.

PROGRESS DRIVERS AND BEST PRACTICES

The Environment Academy
LVMH’s environmental progress is closely linked to its ability to turn its 145,000 employees into participants in its approach. The Group therefore constantly focuses on raising the awareness of its employees as well as informing and training them in the protection of natural resources. Since 2016, these duties have been entrusted to an Environment Academy. The Academy prepares courses that meet the main challenges of the LIFE Program using a variety of teaching materials, including face-to-face classroom sessions, e-learning, virtual classes, etc. The Academy also offers a core teaching course in the Fundamentals. Intended for individuals who are beginning their role as an Environment Manager, this course mainly covers the major environmental challenges, running an environmental management system, and environmental law. It is supplemented by à la carte “trade” modules, such as the module offered to individuals who have a creative, research and development and marketing role, or the module on purchasing. The Group’s buyers can, for example, attend a one-day session entitled “Building Environmental Performance with Suppliers” where they learn to identify the environmental risks linked to suppliers’ practices, and to improve their assessment of those risks using a matrix of 10 targeted questions. As for the Environment Managers, they are trained to use a much more in-depth questionnaire, which also enables them to identify best practices in the supply chain. LVMH further increased its training efforts in 2017. The year was characterized by the internationalization of the sessions offered by the Environment Academy: an Italian version of the Fundamentals course was created. The use of digital technology also increased, and the offering has been enhanced. New courses were offered on environmental challenges relating to specific natural raw materials such as leather, cotton, or wood. The Academy has implemented specific measures intended for architects: in fact, architects are the key contact persons in terms of reducing LVMH’s greenhouse gas emissions, by developing eco-construction (see also page 43). Furthermore, discussion meetings organized about researchers, professors, philosophers or organization chairmen were launched, namely the LIFE Event conferences. These conferences, which are primarily intended for the Group’s Environment Directors and Managers, enable the latter to increase their understanding of environmental issues, and provide them with a broad overview of topical
issues. Three conferences were held in 2017: one featured Pierre Radanne, the Chairman of the 4D Organization, a civil society think tank focused on the transition to sustainable development, which specializes in energy and climate issues. The second conference featured Bernard Chevassus-au-Louis, the biologist and ecologist, who is the Chairman of the Humanité et Biodiversité organization, and the third featured Kalina Raskin, an expert in biomimicry, and a member of the Biomimicry Europa organization. In total, 18,841 training hours were provided within the Group in 2017.

At the same time, the Academy supported the initiatives implemented by the Maisons in 2017 to boost their teams’ expertise in environmental matters. All the Maisons are increasingly active in this area, as shown by Louis Vuitton’s many initiatives during the year. The Maison organized four “Learning Expeditions” to enable its newly hired executives in France to find out about its environmental and social commitments in a fun and practical way. It launched the first Environment E-learning Course, which aims to train all its employees at the Head Office, whatever their position or seniority. Louis Vuitton has explained its environmental approach to its sales force, by presenting it to 30 coaches and mentors from the Les Galeries Lafayette store, who act as sponsors for new salespersons. Louis Vuitton also trained its creative team on eco-design, bringing them together in order to jointly reflect on the design of a store window or exhibition, on the key challenges for a small leather goods store, or on the creative opportunities offered by the recovery of waste materials. The Maison did not forget to raise the awareness of, and train and inform, the staff at its sites, particularly its workshops, through verbal communication or the creation of working groups on the environment, or during induction sessions for new hires.

Internal communications and events

In order to involve its teams in the environmental challenges, LVMH is also developing its internal communications and events. To do this, the Group relies on major national and international environmental events, which are serve to unite and involve the staff. For example, it has, for every year since 2010, partnered with the European Commission to take part in Green Week, the largest annual conference on European environmental policy. On these occasions the Group sends information factsheets about the subjects to be addressed to about 70,000 employees. The theme for Green Week in 2017 was “Green Jobs for a Greener Future”. Five factsheets were created to explain the roles and expertise that enable LVMH to implement its environmental policy, to increase its expertise on this subject, to procure supplies while respecting natural resources, to eco-design its products, and to distribute them sustainably.

The internal efforts made on communications and events can be felt throughout the Maisons of the Group. In 2017, for example, Sephora’s Spanish subsidiary distributed a tips and tricks handbook to its stores, to help staff reduce the production of waste and energy consumption. In France, the Champagne Maisons rolled out, after testing it, a participatory initiative, “One, Two, Sort”, aimed at improving the quality of the waste sorting process. As it does every year, Guerlain rolled out an internal communications plan dedicated to its sustainable development policy. This plan was supplemented by a specific communications plan for the Maison’s two manufacturing sites. Guerlain also enhanced the communications to its subsidiaries, including the delivery of a new “Bee Award” to reward their most outstanding environmental initiatives.

Professional exchanges

LVMH finds that joint reviews and working together are an essential driver for the improvement of its environmental policy. The Group plays an active role in a wide range of occupational technical tasks concerning the protection of natural resources. This approach enables it to address the systemic problems that a company cannot solve alone, working together with a large number of public and private participants. It is, in particular, heavily involved in problems relating to sustainable procurement. LVMH is a member of the “Biodiversity” working group set up by Orée, the French multiparticipant organization, and by the Fédération des Entreprises de la Beauté (FEBEA, the French Beauty Companies Association). It is a member of the RJC (Responsible Jewelry Council), which promotes ethical social and environmental practices throughout the jewelry supply chain. LVMH, together with European and US operators in the fine jewelry sector, is involved in the Dragonfly Initiative, which develops best practices for the mining of colored stones. For many years, LVMH has also been a member of the BSR (Business for Social Responsibility) network, the world leader for the corporate, societal, and environmental responsibility of businesses. As a member of this organization, LVMH contributed, in 2016, to the drafting of an update to Animal Sourcing Principles, a document that sets out the main principles for the responsible treatment of animals in supply chains. In 2017, six of the Group’s Maisons forwarded this document to their suppliers, and three more of them are expected to do so in 2018. In 2011, LVMH joined the LWG (Leather Working Group), whose work on the traceability of leathers and environmental audit standards for tanneries is internationally recognized. In 2016, LVMH joined the Textile Exchange, a US organization dedicated to sustainable supplies for the textile sector. LVMH plays an active role within this organization, developing unconventional cotton supply chains or in introducing new standards such as the Responsible Wool Standard (RWS). These standards, which are directly inspired by the issue of animal welfare, are expected to enable the procurement of supplies with a guarantee of the best animal breeding conditions.

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

The same approach to collective work and jointly constructed progress encourages LVMH to enter into partnership projects with public and private organizations, at the national or local level. The Group has signed the Paris Climate Charter with the City of Paris, under which it undertook to reduce its energy consumption by 20%, and to increase by 50% the consumption of green energy at its 150 sites located in the Greater Paris Area between 2013 and 2020. This partnership policy has been adopted by certain Maisons, such as Louis Vuitton, which, in the Val-d’Oise département, participates in local committees organized by the Cergy Urban Area about two environmental themes, waste management and energy. Similar partnerships have been set up in other countries where LVMH operates. Thus, in Argentina, Bodegas Chandon has joined the “Clean Production” program in Argentina, supported by the government, the aim of which is to increase synergies between the State and the wine producing companies in order to develop a responsible production system. The Maison has also been rolling out an educational program in 18 rural schools close to its wineries and vineyards since 2010. The program is called “My tree, my school, and me”, and is based on the training of teachers. It enables 500 school children’s awareness of trees, water, and the environment to be raised every year, thanks to the planting of a nursery at the school. In 2017, new project partnerships were set up. In particular, LVMH has signed a second Charter with the City of Paris. The Group will become involved in one of the goals of the huge “greening” program launched by the Metropolitan Area with a time horizon of 2020, to install 250 acres of cultivated soil on roofs. Thus, the roofs of Le Bon Marché store have been turned into gardens designed and maintained by the Maison’s employees.

In addition to these project partnerships, LVMH is implementing a global long-term initiative together with several preferred partners, such as the Fondation pour la Recherche sur la Biodiversité (FRB – the French Foundation for Research on Biodiversity). As a founder member of FRB, in 2014 the Group became the first private company to join the eight public research bodies
INAUGURATION OF THE NEW PROGRAM: “LVMH & CENTRAL SAINT MARTIN’S / SUSTAINABILITY & INNOVATION IN LUXURY | FOSTERING CREATIVITY”

On May 4, 2017, after several years of academic and creative collaboration, the LVMH Group increased its support for Central Saint Martins, which has an outstanding reputation for the teaching it provides in the fields of art and design, by creating a new program entitled “LVMH & Central Saint-Martin’s Sustainability & Innovation in Luxury | Fostering Creativity”. This program is based on both partners’ joint desire to meet the challenges facing the luxury goods industry. Its threefold aim is to promote creativity, encourage young talent, and identify breakthrough solutions aimed at supporting sustainable development and innovation in the luxury goods sector. This program, which covers a number of the school’s courses, such as fashion, jewelry, design and even architecture, is a melting-pot for research and development into new design methods and new materials compatible with our Maisons’ quality standards, and with our environmental performance goals.
that have seats on FRB’s Board of Directors. It has also, for many years, been one of the 160 members of the Foundation’s Strategy Board, and is responsible for reviewing the design of research programs aimed at promoting biodiversity. LVMH monitors all the FRB’s work, and contributes to it on a regular basis. This collaboration has, in particular, resulted in the publication of recommendations on the use of natural substances, on access, and on sharing the benefits in the cosmetics sector. These recommendations were drawn up following research on two types of plants used in the cosmetics sector and included in the formulation of Christian Dior cosmetics. LVMH is also one of the industrial partners of CIRAIG, the international reference center for the life cycle of products, processes, and services based in Montreal, Quebec. The company supports the center’s work on the circular economy and the water footprint. It has also financed a Research Chair since 2013, so that its Maisons can benefit from the support of top worldwide specialists in fields such as the Life Cycle Analysis (LCA) and eco-design. The Central Saint Martin’s College of Art and Design in London is another of LVMH’s preferred partners. The Group has set up a large number of academic and creative collaboration processes with this exceptionally well-known educational institution. The latest collaboration process was launched in 2017, namely the “LVMH & Central Saint Martin’s Sustainability & Innovation in Luxury | Fostering Creativity” program. The program aims to promote creativity, encourage young talent, and identify breakthrough solutions to support sustainable development and innovation in the luxury goods sector. The Maisons are extending this policy by forming their own partnerships, many of which have been signed in the academic field. For example, Guerlain sponsors one of the top university management schools in France via the Master’s Degree in Innovation, Design, and Luxury Goods at IAE Gustave-Eiffel. The Maison has offered students the opportunity of working on the eco-designed Guerlain product of the future. In Poland, Belvedere has been partnering the University of Lodz since 2008, which enables it to support the students’ education on environmental matters. In Italy, Bulgari has set up a partnership with the Management Institute of the Sant’Anna School of Advanced Studies in Pisa. The aim is to contribute to the education of master’s degree students, and to prepare them for responding to environmental challenges, particularly via growth in the circular economy. In 2017, this partnership resulted in the organization of a workshop focusing on an analysis of the life cycle of one of the Maison’s most famous products, the Omnia Crystalline eau de parfum.

Support for fundamental research
Based on its convictions, LVMH has decided to address environmental protection challenges from a scientific standpoint. Supporting fundamental research enables it to advance knowledge on natural resources and the means of protecting them. For example, since 2013 the Group has been supporting a research project on the DNA of Southeast Asian pythons, entitled “Population Genetics and their Forensic Applications to the Reticulated and Burmese Pythons Involved in the Commercial Skin Trade in Southeast Asia” which was completed in 2017. This research was launched with a specific aim, namely identifying the geographical origin of the animals, and distinguishing between animals bred in captivity and animals removed from their natural environment, in order to avoid excessive pressure on the resource, and encourage the prevention of poaching. LVMH also wants to contribute to the transfer of knowledge from the scientific sphere to the corporate and civil society spheres. This is what drives the Group to support, in particular, research on an accounting system for natural capital. This is a major challenge, since many public or private operators see protecting natural resources as hindering their development. LVMH wishes to provide a scientific insight, in order to encourage a better inclusion of natural resources in companies’ strategies. Two theses financed by LVMH have highlighted the interdependence between companies and biodiversity. LVMH intends to promote what is known as “strong” sustainability. Unlike “weak” sustainability, this concept is based on the complementarity between technical, human and natural capital, and therefore does not permit any interchangeability between these three types of capital. In the accounting system, it requires observance of environmental thresholds and balances in order to protect the environment. LVMH is planning to finance a French Environmental Accounting Chair that will act as advocate for this approach.

Corporate sponsorship
LVMH also takes action for the environment via corporate sponsorship. Certain Maisons have chosen the path of scientific corporate sponsorship: this is the case of Hennessy, which has donated €600,000 to a team of French and international scientists involved in combating diseases that affect wood and vines. This donation will enable a better understanding of the reasons for the “epidemic” spreading of symptoms and will be a source of hope for finding alternative solutions in order to eradicate this vine disease. Other Maisons support iconic operations, or leading environmental players. Thus, Kenzo is fighting to protect the seas with the Blue Marine Foundation. TAG Heuer is one of the backers of the FIA’s Formula E, a wholly electric world car racing championship. Moët Hennessy is the official partner of the Solar Impulse airplane. In Poland, Belvedere is one of the long-standing players involved, together with the Foundation for the Protection of the Local Environment. In Scotland, Glenmorangie is protecting the Dornoch Estuary with the Marine Conservation Society: with its support, the DEEP (Dornoch Environmental Enhancement Project) will, in particular, enable the reintroduction of oysters into the estuary, where they were plentiful until they were decimated in the 19th century by overfishing. This corporate sponsorship policy is bearing fruit, as shown by the outstanding successes in 2017. For example,
AN INTERNAL HIGHLIGHT: FUTURE LIFE, THE EVENING EVENT MARKING THE ANNIVERSARY OF THE ENVIRONMENT DEPARTMENT

On September 20, 2017 LVMH celebrated the 25th anniversary of its Environment Department at two evening events named “Future LiFE”. This anniversary brought together the Maisons’ Chairmen, as well as the community of experts that works on protecting natural resources on a daily basis within the Group. It provided an opportunity to review LVMH’s pioneering environmental initiatives between 1992 and 2016, which were retold in a retrospective film. The event also focused on the future, via the presentation of the LiFE 2020 Program, which will enable the company to go further along the path of environmental excellence in coming years. The evening was also marked by an announcement that the size of the internal Carbon Fund set up by LVMH in late 2015 would be doubled as from 2018. The Group thus intends to reduce its greenhouse gas emissions at a faster rate, in order to achieve its new objective, namely a 25% reduction between 2013 and 2020. Future LiFE, which provided an exceptional discussion forum, was interspersed with a great number of speeches. “By including the environmental imperative as a source of innovation, we made it a driver for our growth strategy very early on. The LVMH Group is proud of having been a pioneer for the past 25 years. It undertakes to remain one,” said Bernard Arnault, the Group’s Chairman and Chief Executive Officer, in his introductory address. Around 10 of the Maisons’ Chairmen gave a speech, including Michael Burke the Chairman of Louis Vuitton, Chris de Lapuente the Chairman of Sephora, and Philippe Schaus the Chairman of DFS. They all gave a personal account of the importance of sustainable development in their Maison’s development strategy, and explained the initiatives implemented by their teams in order to achieve LVMH’s new environmental objectives by 2020. Well-known figures also spoke, including Bertrand Piccard, the Swiss astronaut, who is Founder and Chairman of the Solar Impulse Foundation.
on June 28, the Champagne Maisons and the Office national des forêts (the French forestry commission) – which have been working together as part of the Forêt d'Exception® (Exceptional Forest) certification since 2011 – celebrated the certification of the three state-owned forests of Verzy, Hautvillers, and Chêne à la Vierge in the Montagne de Reims subregion. 2017 was also a very successful year for Hublot’s environmental corporate sponsorship policy. The Maison has continued its commitment to the protection of big cats with the Black Jaguar-White Tiger Foundation, which it has been supporting since 2016. It participated in an auction to finance the creation of a new sanctuary designed to shelter about 350 animals, including jaguars, tigers, leopards, lions, and pumas. Hublot also pursued its collaboration with Depeche Mode, which began in 2013. The aim is to provide clean drinking water to population groups by raising funds for this not-for-profit charity; water. In four years, the two partners have enabled 229 projects to become a reality worldwide, for the benefit of more than 30,000 people.

Bees play a key role in protecting biodiversity and have a strong historical link with several of LVMH Group’s Maisons. Accordingly, their protection is one of the main priorities of the Group’s corporate sponsorship policy. The Maisons’ commitment take several forms. Some involve informing and raising awareness. For example, with the assistance of Bees4you, Hublot has housed a large number of hives, invites its employees to take part in harvesting the honey, and offers its “liquid gold” to its customers and partners. Other Maisons support scientific research. Several Maisons back the initiatives of local organizations. This is specifically the case of Guerlain, whose symbol is a bee. The Maison has for many years supported the Association for the Protection of the Black Brittany Bee on Ouessant Island. It provides financial support to the organization, showcases its work, and provides assistance in terms of communications, as well as legal assistance. Since 2015, Guerlain has also been helping the French apidology monitoring center to achieve its goal, namely to train 30,000 new beekeepers in Europe, and to create 10 million new bee colonies by 2025. On May 11, 2017 the Maison took a new initiative by organizing the first Bee University event. This is a conference that intends to share, with the top specialists, the challenges associated with the protection of bees and the solutions to prevent their extinction.

**External communications**

Since the publication of its first environmental report in 2001, LVMH has unceasingly continued to develop external communications on its efforts to protect natural resources. The challenge for the Group is to provide information in the most comprehensive and transparent manner possible, not only for its customers, partners, and regulatory authorities but also for public operators, nongovernmental organizations, voluntary organizations, and any members of the public who are interested in environmental problems. To do this, the company uses all the means at its disposal. It answers the questions asked by stakeholders (in fact, this is Challenge 8 in the LIFE Program). It publishes documents, broadcasts videos, speaks in the traditional media as well as on the Internet and on social networks, organizes events, and takes part in forums and conferences, etc. As it does for its internal communications, LVMH relies on major national and international events, such as Sustainable Development Week and summits on the climate and biological diversity organized under the auspices of the United Nations, as well as the Convention on International Trade in Endangered Species of Wild Fauna and Flora, etc. These events enable the company to demonstrate its commitment to the environment, set out its view of the issues addressed, and share information and best practices. In 2017, for example, LVMH attended the Fifth International Africa and Beauty Forum, which was held in Lomé, Togo, from February 20 to 24. In fact, Sylvie Bénard, the Group’s Environment Director, was the sponsor of this event. Based on the theme “Nature, beauty, sensoriality and spirituality”, this event highlighted the importance of plants in current and future beauty products. It provided an opportunity to draw up a situational analysis of supply chains showcasing African plants in various areas, including cosmetics, and to review the implementation of the Nagoya Protocol. LVMH actually presented its work on two medicinal African plants with cosmetic properties, Opilia and Hibiscus. The Group’s Maisons also conduct their own external communications campaigns. In 2017, for example, Fendi took part in the first Green Carpet Fashion Awards organized in Milan on September 24, in order to honor designers and professionals working in eco-responsible fashion. Guerlain published a new Sustainable Development Report and organized two new “Sustainable Inspirations from no. 68”, in order to recognize men and women who are committed from a societal and environmental standpoint. In the same spirit as these “Sustainable Inspirations”, the Maison launched a Bee Night involving the French apidology monitoring center, its new partner in fighting for the protection of bees. Furthermore, it participated in LuxePack, the luxury goods product packaging trade fair in Monaco, for the sixth year running. Meanwhile, Louis Vuitton spoke at the Third Luxury Goods Trade Show in Paris, during a roundtable dedicated to sustainable development.
THE LIFE PROGRAM, A GOAL THAT MEANS ACTION

Does its leadership position mean that LVMH has a responsibility to protecting natural resources?

This gives us a certain view of our responsibility. A leader has a duty to set an example, and for twenty-five years we can claim to have been exemplary from an environmental standpoint. LVMH is a Group which includes a societal approach in its strategy. A company cannot make progress without interacting in a positive way with the society in which it operates, and without having a view of the world in which it is developing. Our company thinks about its surroundings, about the people around it, about new consumption methods, and about protecting our planet, from which we take the raw materials for our products. We must not exhaust these raw materials, we must respect and cherish them because other generations will come after us and, without them, we will no longer be able to create our excellent products. Our obligation to transmit implies a heightened sense of protecting the resources that serve our businesses and of our responsibility for our methods of production.

In what way does the Group’s environmental policy illustrate its values?

Everything that underlies our company’s business can be found in our approach to protecting natural resources. Innovation first of all, which is crucial for getting and staying ahead: when we launch our carbon fund, lead the eco-lighting revolution in our stores, obtain recognized international certifications or assign quantified objectives and thorough audit plans, we demonstrate that luxury goods are a laboratory, and that this also applies on the environ-
mental level. Next, creativity, because sustainable development opens up a new field of materials, techniques and expectations, which therefore drives us to significantly increase our imagination. Excellence is also a powerful driver: it makes it possible to pass on the inheritance of our Maisons and their long-term development. Finally, there is the value of entrepreneurship, because managing our affairs differently means inventing new sources of growth, new lines, new products, and new projects. Obviously, we must not forget the imperative that we place above all others, namely acknowledging the human dimension. The environment cannot be detached from human beings, it is the very essence of sustainable development. We owe everything to the quality of our talented staff: it is our teams who back these questions on a daily basis and who make a difference.

The LVMH Environment Department celebrated its 25th anniversary in 2017: how do you see the next twenty-five years? The environment will be at the heart of LVMH’s strategy and development priorities for the next twenty-five years, and probably beyond that. To continue to be forward thinking for the long term as the Group has always done, to surprise, to make people dream, to captivate and convince an audience not just of consumers but also of members of the public. These are the people who are rightly becoming increasingly sensitive to the contribution that we, as a business, make to the protection of the climate and our ecosystems.
NEW GOALS FOR 2020

LIFE 2020, accelerating towards environmental excellence

The launch of LIFE in 2012 was a key step in the implementation of LVMH’s environmental policy. To capitalize on what it has learned and achieve greater consistency and effectiveness, the Group has decided to set objectives, shared by all our Maisons, relating to some of the challenges in the LIFE Program. The review was launched in August 2015. This cross-divisional work resulted in the drafting of LIFE 2020, which sets LVMH new quantified goals in four strategic areas:

1. to reduce the environmental footprint of our products;
2. to put in place sustainable supply chains;
3. to reduce greenhouse gas emissions;
4. to improve the environmental impact of our sites.

With LIFE 2020, LVMH has set itself a course and a clear view of the progress to be made in coming years, with an approach based on increasingly high standards and continuous improvement. The program not only increases the capacity of the Group’s Maisons to take action, it also aims to increase creative energy by becoming a source of opportunities and a driver of innovation and development. It will enable the company to accelerate its march towards environmental excellence by doing things better and more quickly.

TARGET PRODUCTS: IMPROVING THE ENVIRONMENTAL PERFORMANCE OF ALL PRODUCTS

Excellence – the goal for our products

The LVMH Maisons have always acted to limit the impact of their products on the natural environment. LIFE 2020 encourages them to increase their commitment by setting them a new objective: improving the environmental performance of all the products by taking the entire life cycle into account. To meet this challenge, the Maisons are relying on the array of tools designed by the Group’s Environment Department with their help, and which is regularly improved in a concern for excellence. These tools include: Edibox, a web tool that calculates the EPI (Environmental Performance Indicator) for the packaging and the CO2 impact of the materials used to manufacture it. Thanks to the second version of Edibox, which was rolled out in 2016, the estimates now include the environmental impact of the transportation of the materials and the processes used to process and decorate them. The Maisons in the Wines & Spirits and Perfumes & Cosmetics business sectors have also been calculating the EPI for all their products since 2017 and are gearing up to achieve the objective set by the Group for 2020: a 10% reduction in ratings. Today, more than 10,000 products have been rated, and by end 2017 the Maisons had achieved an average performance of 3%. Their progress is primarily due to the widespread use of eco-design, which enables them to reduce the size and weight of the packaging, and to choose environmentally-friendly, recyclable materials. The problem for the Fashion & Leather Goods and Watches & Jewelry Maisons is different: the environmental impact of their products is primarily linked to the production of agricultural raw materials and to the extraction of minerals. They are therefore focusing on these areas as a priority.

Incorporating the environment, starting at the product design stage

Eco-design enables the environment to be incorporated starting at the product design stage. It is increasingly widely used within the LVMH Group thanks to LIFE 2020. LVMH’s new “product” objective for 2020 is activating the Maisons and encouraging them to go further in their eco-design efforts. For example, Guerlain wants all its creations to be eco-designed by 2020. To support its initiative, this Maison has had that initiative sponsored by its Chief Operations Officer and its Marketing and Communications Director. It is aligning its initiative with an ongoing improvement approach, and now calculates the EPI for each product created. To achieve its objective, Guerlain must ensure that all its new perfumes and cosmetics have an EPI equivalent to 12 or more. This is already true for its Orchidée Impériale cream launched in January 2017. By developing the project in accordance with the “3Rs” (Reduction, Recycling, and Re-using) rule, the Maison was able to reduce its carbon footprint by 58%. Parfums Christian Dior has also set itself ambitious objectives in terms of eco-design, and particularly in terms of refills. By 2020, 50% of its perfumes will be refillable, as well as 100% of the new skincare and make-up lines. The Maison has launched a new Dior Life skincare range. The volume of the range’s packaging has been reduced by 30% thanks to eliminating the cardboard wedge, the leaflet, and the cellophane wrapping. The embossed single material plastic lid is also 70% lighter than the lid for the previous range.

The Maisons also find inspiration for their eco-designs in the online materials library provided to them by the Group’s Environment Department. This library, which is continually being enhanced, now offers their teams responsible for design, development, and marketing more than 300 innovative and environmentally-friendly materials that are appropriate for the

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<th>Baseline</th>
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<td>Perfumes &amp; Cosmetics EPI</td>
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<th>Objective</th>
<th>Baseline</th>
<th>2017 performance</th>
<th>2020 objective</th>
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<td>1. to reduce the environmental footprint of our products;</td>
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<td>4. to improve the environmental impact of our sites;</td>
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LIFE Indicators Baseline 2017
“The Veuve Clicquot and Moët et Chandon Maisons are totally committed to our vineyards and, as a result, we were the first two Maisons to receive sustainable viticulture certification in 2014; and at Veuve Clicquot we have always been committed to maintaining an environmental approach via our packaging. In 2013 we launched Naturally Clicquot, based on potato starch and Naturally Clicquot in 2015 was a packaging made from grape skins. Our new baby is the ‘ice jacket’ made of cork which has just been launched and adds a further boost to Veuve Cliquot’s message regarding its environmental approach.”
luxury goods industry. The Maisons also rely on the life-cycle analysis (LCA) of the products, which was used for the first time by Hennessy in 1992. As it considers this method to be crucial for rethinking the design of its products, in 2017 Bvlgari actually organized two training days on this subject for its management teams. The use of life cycle analysis is increasing at many Maisons. For example, Sephora carried out an analysis on the life cycle of 10 products that were representative of all its Sephora Collection ranges in 2016. It was therefore able to launch an eco-design process for three of the products: a lipstick, an eyeshadow, and a brush.

Developing innovation
The need to reduce the environmental impact of its products is a constant source of innovation for LVMH. By thinking differently, and in a more sustainable and responsible manner, the teams are exploring new avenues that lead to innovative creations. Two Maisons in the Wines & Spirits business sector have recently illustrated this creativity derived from the environment. The case for Veuve Clicquot’s Naturally Clicquot is manufactured from grape skins resulting from the wine-making process, which are combined with recycled paper. Meanwhile, the wedging foam inside the box launched by Krug in 2016 is manufactured from recycled PET, a material that is usually used as an insulation material in the construction industry; the Maison was able to reprocess it in order to adapt it to the luxury goods industry and maintain the full prestige of its packaging. Working methods are changing and new tools are emerging, such as digital models and 3D printing, which are now used at every stage in the design of any of Louis Vuitton’s products. By giving the teams the option to see the possible ranges of colors and materials for a product in a realistic way, these ultra-modern technologies enable a more accurate selection of the models to prototype and help save materials. During the year, Louis Vuitton also tested broadening the application of eco-design to events creation. The “Time Capsule” exhibition, which presents the brand’s heritage products, was used as a pilot. It was the subject of a life-cycle analysis carried out with the Mu Cooperative, an agency specializing in eco-design. This initiative, which was supported by ADEME, enabled the Maison to derive generic guidelines for its forthcoming projects.

Increasing the lifespan of products
Increasing the lifespan of products is another way to reduce their environmental impact. LVMH has a major advantage in this

CHANGE IN THE PACKAGING GIVEN TO CUSTOMERS BY BUSINESS GROUP
(in metric tons)

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

Transmitting and updating know-how
Protecting the Maisons’ and their partners’ know-how also plays a role in improving the products’ environmental footprint. Much of this know-how involves traditional movements and procedures, which sometimes date back several centuries. Some know-how, such as tanning for the Fashion & Leather Goods Maisons, sustainable viticulture for the Wines & Spirits Maisons, or ethnobotany for the Perfumes & Cosmetics Maisons, is directly linked to natural resources. All this know-how is crucial for industrial high-quality items marketed by LVMH. The Group therefore takes care to guarantee the long-term survival of this know-how by working on its transmission and modernization.

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

A goal of excellence for the supply chains and suppliers
LVMH’s high dependency on natural resources and living processes, together with its aesthetic and heritage values, have encouraged the Group to implement a sustainable procurement policy for several years. The Group pays considerable attention to the traceability and compliance of the materials and substances used to manufacture its products. It develops responsible purchasing processes and sets up environmentally-friendly supply chains, working closely with its suppliers and subcontractors. The Maisons will continue along this path with LIFE 2020, while raising the bar higher. In fact, LVMH wants 70% of its supply chains to meet the highest environmental standards by 2020. Starting in 2025, this ratio will be raised to 100%. This “supply chains and suppliers” objective involves all the company’s business sectors, but in different ways, given their respective challenges. The Wines & Spirits Maisons are developing sustainable viticulture as a priority. The Perfumes & Cosmetics Maisons are emphasizing the assessment of suppliers, and ethnobotany initiatives, as well as the aim to use at least 50% of sustainable palm oil derivatives certified by RSPO (Roundtable on Sustainable Palm Oil) as soon as possible. The Watches & Jewelry Maisons are relying on the RJC certification introduced by the Responsible Jewelry Council (see page 34). Certification is also a key progress driver for the Fashion & Leather Goods Maisons: it enables them to manufacture their items using cotton, leather, wool, or fur from certified supply chains. Regardless of the specific features, the Maisons’ policies all aim to protect biodiversity and guarantee the welfare of animals.
Ensuring compliance of the materials and substances presented in the products

LVMH’s sustainable procurement policy is based on one foundation: the very high level of attention paid to the traceability and compliance of the materials and substances used to manufacture the products marketed. The Group pays special attention to complying with the regulations resulting from the implementation of the Nagoya Protocol in the case of its research and development activities, from the CITES Convention in the case of trade in certain exotic plants and leathers, from the European Union Timber Regulation (EUTR) of 2013, and from its environmental obligations relating to the Common Agricultural Policy in the case of grapes. Its goal of excellence drives LVMH to go beyond complying with the regulations. The company factors in the opinions issued by scientific committees and the recommendations of professional organizations, both at the national and international level. It has introduced stringent internal rules on the development of new products, which it also applies to its suppliers. A virtuous circle has even been introduced within the Group: experts from its Environment Department identify the most stringent regulations and help the Maisons to adopt them. This is the case, for example, of the REACH (Restriction, Evaluation, Authorization and Restriction of Chemicals) Regulation, which has governed the registration, evaluation, and authorization of chemicals within the European Union since June 1, 2007. Since 2013, every LVMH supplier has received a letter regarding their commitment to comply with the REACH Regulation. By signing this letter, the supplier undertakes to comply with the Regulation (or with similar regulations such as Proposition 65 in California). REACH officers have been identified at the Maisons in order to complete the system. The Group’s Environment Department brings this network together every year in order to exchange information and best practices, and to encourage the emergence of substitution or innovation projects.

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

<table>
<thead>
<tr>
<th>Indicators</th>
<th>Baseline (2013)</th>
<th>2017 performance</th>
<th>2020 objective</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Wines &amp; Spirits</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sustainable viticulture certification</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>LVMH vineyards: Northern hemisphere: 100%</td>
<td>100%</td>
<td>100% (achieved)</td>
<td></td>
</tr>
<tr>
<td>LVMH vineyards: Southern hemisphere: 70%</td>
<td>100%</td>
<td>100% (achieved)</td>
<td></td>
</tr>
<tr>
<td>Grape suppliers: Champagne (7%)</td>
<td>100%</td>
<td>100% (achieved)</td>
<td></td>
</tr>
<tr>
<td><strong>Fashion &amp; Leather Goods</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>LWG certification of the tanneries</td>
<td>25%</td>
<td>34%</td>
<td>70%</td>
</tr>
<tr>
<td>Certified cotton (BCI or organic cotton, etc.) or recycled cotton</td>
<td>2%</td>
<td>5%</td>
<td>70%</td>
</tr>
<tr>
<td>Certified furs</td>
<td>Data not available</td>
<td>54%</td>
<td>70%</td>
</tr>
<tr>
<td><strong>Perfumes &amp; Cosmetics</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Performance of perfume ingredient suppliers</td>
<td>64%</td>
<td>70%</td>
<td>75%</td>
</tr>
<tr>
<td>Performance of cosmetic ingredient suppliers</td>
<td>56%</td>
<td>65%</td>
<td>75%</td>
</tr>
<tr>
<td><strong>Watches &amp; Jewelry</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Diamonds</td>
<td>90%</td>
<td>98.8%</td>
<td>100%</td>
</tr>
<tr>
<td>RJC COP certification</td>
<td>(3 Watches &amp; Jewelry Maisons are not included in the scope)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gold RJC COP certification (including the products of the Fashion &amp; Leather Goods Maisons)</td>
<td>70%</td>
<td>76%</td>
<td>100%</td>
</tr>
</tbody>
</table>
“Céline has made two significant commitments as part of LIFE 2020. The first is to ensure that our leather suppliers, and particularly our tanners, comply with the highest environmental standards, including by rolling out the Leather Working Group certification. The second concerns our future leather goods workshops in Italy. We wanted to design them as part of an overall environmental approach, whether their blending in with the Tuscan landscape, or the choice of recyclable materials, or the installation of interesting and innovative systems such as the rain water recovery system and, obviously, we have designed them all using the most energy-efficient systems possible.”
handbooks have also been drawn up by LVMH’s Environment Department in order to help suppliers to eliminate certain substances, and to use alternatives.

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

Preferring certified supplies

Certification is one of the main drivers used to develop responsible procurement by the LVMH Group’s Maisons. It guarantees that the materials and substances included in the composition of their items are produced according to the highest environmental standards. For example, all the Watches & Jewelry Maisons are certified by the RJC (Responsible Jewelry Council). Using this approach, the Maisons have specifically committed to procure diamonds from sustainable sources: in 2017, 98.5% of the diamonds purchased were RJC CoP certified (3 Watches & Jewelry Maisons are not included in the scope). Bvlgari, which is particularly committed, even became, in 2015, the first company in its market to obtain the CoC (Chain of Custody) certification for gold introduced by the RJC. In 2017, the audit monitoring the Maison’s RJC certification helped the Council renew its trust and recognize the many ethical and responsible best practices introduced by Bvlgari. Use of certified procurement is also increasing in LVMH’s other business sectors. For example, Loewe purchases leather from LWG certified tanneries (a highly ambitious standard created by the Leather Working Group in order to improve the environmental performance of tanneries: energy, water, waste and traceability). Other Fashion & Leather Goods Maisons have followed Loewe, to the point where, by the end of 2017, 34% of the leather purchased by LVMH came from LWG-certified tanneries. In connection with LIFE 2020, the Group wants to increase this to 70%. To achieve its objective, in 2017 LVMH launched a wide-ranging action plan: it will audit about 30 tanneries that work with its Maisons and have them audited according to the LWG standard.

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

Animal Well-being

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

In 2016, LVMH took part in drafting the new version of the BSR’s “Animal Sourcing Principles”, a document that sets out general principles focusing on animal welfare in supply chains. This document is gradually being shared with all concerned suppliers. In the case of tannery products, better rearing conditions upstream, for the farmers and for the animals, mean higher quality products downstream. This is why LVMH has been working for many years to improve and control breeding practices. The approach always involves working with the professional organizations concerned so that improvements can be shared and can be monitored by scientists, but also to ensure that “low-level” competition, which uses poor practices, is avoided. For example, LVMH takes part in the work performed by the Leather Working Group and Textile Exchange Organizations, which aim to determine best practices in the sheep and cattle sectors.

Fur is a key raw material for LVMH. The fashion houses – and especially Fendi, the historic market leader for fur – comply with all local and international regulations regarding the fur trade. LVMH is aware that fur is a sensitive subject and is the focal point of numerous debates. The Group is committed to respecting everyone’s choice. The Group’s intention is to provide customers who want to wear fur with a product that has been made in the most responsible and ethical manner possible. The Group’s Maisons are committed to not using furs from endangered species. Accordingly, LVMH works hand in hand with its European and North American suppliers and assigns absolute priority to certified pelts from farms that are regularly audited.
in accordance with recognized standards and checked by independent third parties. These standards include the European WelFur label (under the FurMark umbrella) which has been developed by scientists and veterinarians in order to support animal breeders on a day-to-day basis, and where the criteria go beyond domestic and European regulations. LVMH is also an equally firm supporter of the standards developed by SAGA and Northern European operators.

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

LVMH also pays attention to animal welfare in the wool sector, particularly the practice of mulesing sheep. The Group is in discussions with the IWTO, the Textile Exchange and the Maisons’ suppliers regarding the development of alternative methods, by encouraging the roll-out of the Responsible Wool Standard, for example. LVMH has joined the Sustainable Fibre Alliance, which deals with the sustainable sourcing of cashmere, and incorporates animal welfare criteria among other subjects, such as preventing desertification.

The Group’s Maisons are highly conscious of their impact on the welfare and protection of animals bred for their wool. This is the context in which Louis Vuitton, in 2017, launched the first audits of rex rabbit firms. On a more historic basis, Loro Piana helped save from extinction the vicuña, a small camelid native to the high-altitude regions in South America. The number of animals had fallen from several million, when the Spanish arrived on the American Continent, to 55,000 twenty years ago. The Maison found outlets for this valuable wool and imported breeding techniques based on Australian methods that have increased the herd currently to 400,000 animals. Loro Piana has even
created the first nature reserve aimed at protecting vicuñas, which is home to about 3,000 animals today.
The Group is convinced of its responsibility for animal biodiversity. By assigning a value to these precious raw materials, their vital importance is significantly highlighted, and therefore results in the creation of positive outcomes.

**Increasing the responsibility of suppliers and subcontractors**
The initiatives implemented by LVMH to obtain sustainable supplies have one point in common: they all require making the suppliers and subcontractors more responsible. The Group is aware of this challenge, as shown by the dissemination of a Supplier Code of Conduct as from 2008. Updated in 2017, the Code sets out the Maisons’ main requirements in terms of the companies they employ. The rules to be followed include the strict application of regulations and standards, the use of environmentally-friendly technologies, and the introduction of a system of environmental management. This Code also gives the Maisons the right to conduct compliance audits at their suppliers at any time in order to check that the rules are being applied.

At Group level, 1,497 social and/or environmental audits were conducted in 2017, more than 80% of which by specialist third parties at 1,015 of our suppliers. 56% of the audits covered both social and environmental criteria. Although 55% of the audits completed were in line with Group standards, 30% revealed minor cases of non-compliance, 12% showed a significant need for improvement by the supplier, and 3% revealed a case of major non-compliance. The observed breaches primarily concerned the Health & Safety indicator. A total of 570 corrective action plans were implemented following these audits.

The Group’s Maisons, which are driven by a desire to improve on an ongoing basis, will pursue their plans to audit the suppliers and monitor their action plans in 2018, while continuing to develop the synergies resulting from our membership of Sedex. In 2017, the LVMH Group, together with the Perfumes & Cosmetics segment and the Louis Vuitton Maison, also joined EcoVadis, in order to adopt an even more exhaustive approach to managing their supply chains. The Group will also focus on expanding the working groups for each business sector in order to improve the incorporation of their specific features and requirements. Louis Vuitton has also designed a tailor-made training course for its buyers and industrial developers in order to support the rollout of its environmental audit program for suppliers and subcontractors. The latter program is going on, with about 100 assessments made, covering all the businesses including the merchandising activities. Four tanneries, six electroplating companies, and six companies in the textile sector were specifically audited in accordance with a highly demanding protocol of audits to ensure that there is no impact on the natural environment caused by water discharges. As a result of these audits conducted since 2015, Sephora has prepared about 30 audit follow-ups, which have resulted in improvement plans. In the United States, the Maison has launched a program aimed at inspecting suppliers’ plants in Asia: the challenge is to identify and root out obstacles to environmental performance. In Poland, Belvedere took part in a dozen seminars organized as part of the huge program launched with spirit suppliers and scientists in order to improve the quality of supply.
A goal of excellence for the climate

Combating climate change – for which greenhouse gases are a determining factor – is a major priority of LVMH’s environmental policy. The Group has often played a pioneering role in this field. In particular, it took part, at the start of the new millennium, in trialing the method that was to become the Bilan Carbone®. It was also the first company in the luxury goods industry to set up, in 2015, an internal carbon fund. Energy consumption, production, transport, logistics, working practices… LVMH is exploring all avenues to reduce the impact of its activities on the climate. Its efforts have already resulted in a substantial fall in its CO2 emissions. In connection with LIFE 2020, the Group is setting a new goal for accelerating its progress: it is now aiming to reduce by 25% the emissions linked to energy consumption between 2013 and 2020. Three action areas have been prioritized: to improve the monitoring and reporting processes, to increase energy efficiency (i.e. the consumption of energy per square meters) and to increase the use of renewable energies. The initiatives launched by the Maisons in connection with this “climate” objective primarily concern the stores themselves, since they in fact cover more than 1 million square meters worldwide. A specific study assessing the environmental impact of the production of raw materials and the supply chain was performed in 2016. Half the emissions across the Group’s quantified value chain are generated by the production of raw materials, and 30% by upstream and downstream transportation. These are followed by emissions produced by the Maisons’ manufacturing sites, logistics centers, offices, and stores (20%), whether these emissions are direct (scope 1) or indirect (scope 2).

Continue to innovate thanks to the internal carbon fund

For more than fifteen years, LVMH has prepared carbon footprints for its main Maisons and aggregates the greenhouse gas emissions produced by the energy consumption of Group sites and by the transportation of products every year. Reducing its emissions is a highly ambitious priority objective. LVMH is relying on innovation. The Group set up its internal carbon fund in November 2015, a few weeks before the opening in Paris of COP21 (the 21st Conference of the Parties to the United Nations Framework Convention on Climate Change – UNFCCC). With this initiative, unprecedented in the luxury goods sector, the Group sought to create a virtuous circle in order to accelerate the reduction of its CO2 emissions. The fund is based on the idea that putting a price on the cost of business activities that emit greenhouse gases can encourage a change in behavior. LVMH therefore set a price (of €15 in 2016 and 2017) for each metric ton of CO2 generated by its Maisons’ activities and, more specifically, by the energy consumption of their manufacturing sites and sales floor areas. This price enables the Maisons’ contributions to be calculated. They must then generate at least an equivalent investment amount in order to finance innovative projects that enable them to reduce their carbon footprint. The fund thus gives them “an additional right to invest” in order to reduce their greenhouse gas emissions. Three types of project may be financed: research into improving the understanding and monitoring of energy consumption; equipment to reduce this consumption; and the production of renewable energy. Starting in 2016, the LVMH carbon fund proved its effectiveness when eligible projects amounting to €6.7 million were selected, rather than the €5 million initially provided for. In 2017, this amount fell to €5.7 million, a reduction which the Group could only find satisfactory, since it actually reflects a reduction in the Maisons’ emissions. Around 60 investment projects were selected during the fund’s second year of existence. The choice was based on five criteria: the carbon impact (what do the reduced CO2 emissions represent compared with the facility’s emissions?); the carbon efficiency of the investment (what amount needs to be invested to avoid the emission of one metric ton of CO2?); the triggering event (is the project feasible without financing from the fund?); the exemplary nature of the project (does it give a strong signal of the Maison’s commitment?); and, finally, its innovative nature (is it based on a new technology, or is it a pilot project within the Group?). The projects that were ultimately selected came from Maisons of all sizes, and from all LVMH’s business sectors. Unlike the investments in 2016, 70% of which were made in the boutiques, 54% of the investments in 2017 involved production sites and 36% involved sales floor areas. Most investments (56%) were aimed at reducing consumption by improving energy efficiency. The other

<table>
<thead>
<tr>
<th>Indicators</th>
<th>Baseline</th>
<th>2017 performance</th>
<th>2020 objective</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reducing CO2 emissions by 25% (scopes 1 and 2 at constant consolidation scope)</td>
<td>220,480 CO2 eq metric tons</td>
<td>-12%</td>
<td>-25%</td>
</tr>
<tr>
<td>Reaching 30% of renewable energy in the Group’s energy mix</td>
<td>1%</td>
<td>29%</td>
<td>30%</td>
</tr>
<tr>
<td>Improving the stores’ energy efficiency by 15% (in kWh/square meters)</td>
<td>460 kWh/square meters</td>
<td>-19%</td>
<td>-15% (target achieved in 2017)</td>
</tr>
</tbody>
</table>
investments involved monitoring the consumption and, in equal measure, the production of renewable energy (22%). All these investments prove that the carbon fund does indeed drive progress. For example, one of the projects will enable Chandon Argentina to increase the percentage of solar energy in its energy mix from 1.5% currently to almost 8%.

After the successful launch of its carbon fund, LVMH announced in September 2017, at the event celebrating the 25th anniversary of its Environment Department, that it will be doubled in size during 2018. This means that the Maisons’ contributions have been calculated on the basis of €30 per metric ton of CO2 produced since January 1 this year. LVMH therefore hopes to capitalize on the momentum resulting from the launch of LIFE 2020. This momentum is such that it has led the Group to revise upwards certain objectives, since it took the view that they would be exceeded by 2020. For example, the initial threshold of 10% of renewable energy in the Maisons’ energy mix has been revised upwards to 30%. Beyond this context, the doubling of the carbon fund illustrates the Group’s determination to be exemplary, since it seeks to involve an increasing number of employees on an ongoing basis in order to go even further: the Group had selected a price per metric ton of carbon that was renewable every year from the outset, and had aligned it with an upward trend by 2020.

**Strengthening the assessment and monitoring of CO2 emissions**

LVMH’s goal of excellence for the climate cannot be dissociated from its ability to measure its greenhouse gas emissions and to monitor their trend. Thanks to these reports, the Group knows where to take priority action, and what are the most relevant measures to take. It has prepared a carbon report for its main Maisons for more than fifteen years. It has therefore been able to identify its two main sources of CO2 emissions. The stores rank first, followed by transport and logistics. In order to measure its carbon footprint, LVMH each year aggregates the emissions generated by the energy consumption of its sites and the transportation of its products. These emissions amounted to 379,312 metric tons of CO2 equivalent in 2017, to which must be added the 101,180 metric tons of CO2 equivalent generated by the 31% of sales floor areas that are not included in the accounting consolidation process. The Group also carries out additional selective studies; for example, in 2016, it focused on the emissions generated by the production of its raw materials and the supply chain. This determination to obtain an increasingly detailed understanding of the emissions is shared by the Maisons. Certain Maisons provide a detailed account of the measures, such as Guerlain, which has prepared an item-by-item carbon report since 2008. Other Maisons broaden the scope covered by the assessment, such as Sephora, where the Global carbon reports now include all the stores and head offices.

**Breakdown of the greenhouse gas emissions generated by upstream transportation in 2017 (in CO2 equivalent metric tons)**

<table>
<thead>
<tr>
<th></th>
<th>Road</th>
<th>Rail</th>
<th>Air</th>
<th>Sea</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wines &amp; Spirits</td>
<td>9.81</td>
<td>849</td>
<td>1,022</td>
<td>11,682</td>
<td></td>
</tr>
<tr>
<td>Fashion &amp; Leather Goods</td>
<td>486</td>
<td>7,679</td>
<td>6</td>
<td>8,171</td>
<td></td>
</tr>
<tr>
<td>Perfumes &amp; Cosmetics</td>
<td>10,106</td>
<td>27,086</td>
<td>443</td>
<td>37,635</td>
<td></td>
</tr>
<tr>
<td>Watches &amp; Jewelry</td>
<td>3</td>
<td>1,834</td>
<td>4</td>
<td>1,841</td>
<td></td>
</tr>
<tr>
<td>Selective Retailing</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td>20,406</td>
<td>37,448</td>
<td>1,475</td>
<td>59,329</td>
<td></td>
</tr>
</tbody>
</table>

**Breakdown of the greenhouse gas emissions generated by downstream transportation in 2016 (in CO2 equivalent metric tons)**

<table>
<thead>
<tr>
<th></th>
<th>Road</th>
<th>Rail</th>
<th>Air</th>
<th>Sea</th>
<th>River barge</th>
<th>Electric vehicle</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wines &amp; Spirits</td>
<td>22,590</td>
<td>762</td>
<td>45,998</td>
<td>18,678</td>
<td>180</td>
<td>5</td>
<td>88,213</td>
</tr>
<tr>
<td>Fashion &amp; Leather Goods</td>
<td>2,205</td>
<td>11</td>
<td>162,387</td>
<td>119</td>
<td>1</td>
<td>-</td>
<td>164,723</td>
</tr>
<tr>
<td>Perfumes &amp; Cosmetics</td>
<td>2,590</td>
<td>-</td>
<td>206,640</td>
<td>1,646</td>
<td>-</td>
<td>-</td>
<td>210,876</td>
</tr>
<tr>
<td>Watches &amp; Jewelry</td>
<td>338</td>
<td>-</td>
<td>31,552</td>
<td>82</td>
<td>-</td>
<td>-</td>
<td>31,972</td>
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<tr>
<td>Selective Retailing</td>
<td>3,190</td>
<td>-</td>
<td>20,879</td>
<td>251</td>
<td>-</td>
<td>88</td>
<td>24,408</td>
</tr>
<tr>
<td>TOTAL</td>
<td>30,913</td>
<td>773</td>
<td>467,456</td>
<td>20,766</td>
<td>181</td>
<td>93</td>
<td>520,392</td>
</tr>
</tbody>
</table>
Improving energy efficiency

The search for energy efficiency is one of the main priorities of the policy implemented by LVMH in order to reduce its carbon impact. It involves better energy management, which is crucial for reducing overall energy consumption. This consumption amounted to 999,109 MWh in 2017 for the Group subsidiaries included in the reporting scope, and to 190,167 MWh for the 31% of sales floor areas that were not included.

The Maisons’ priority focus is improving the energy efficiency of their sales floor areas, which are primarily responsible for LVMH’s greenhouse gas emissions. Thanks to their involvement, they have already achieved one of the LIFE 2020 objectives, i.e. improving the average energy efficiency of each existing boutique by 15%. To support them in their efforts and help them to make further progress, the Group launched the LVMH LIFE in Stores Program in 2016, which supplements the LVMH Lighting platform (see following chapter). The aim of the program is to encourage the inclusion of the environmental challenges upstream of projects for boutiques, starting at the design stage. It is based on guidelines drawn up internally using the best known global guidelines such as LEED® (Leadership in Energy and Environmental Design) or HEQ® (High Environmental Quality).

This program has, in particular, resulted in the distribution of a handbook, updated in July 2017 to incorporate a new guideline, the WELL Building Standard®. A checklist was also made available to the Maisons, which identifies the 10 most important points for a boutique’s environmental performance, from the building’s insulation to the lighting density, including air-conditioning and heating. In connection with LIFE in Stores, LVMH informs, educates and trains key audiences on the environmental excellence of retail spaces. A newsletter was therefore launched in 2017 to create interest among the architects’ community, while Céline assembled its store planners in October in order to explain the checklist to them. Moreover, the company showcases the Maisons’ outstanding initiatives by organizing the LVMH Store Environment Awards. For example, Bvlgari was recognized, at the first award event, for having installed a remote consumption monitoring system in its London store in New Bond Street. In 2017, a call for entries to a second award event has been launched, scheduled for May 2018. Other initiatives are in preparation, such as the launch of a competition based about the LVMH Green Concept Store. This is a new store concept that innovates in terms of design and incorporates environmental criteria.

CHANGE IN GREENHOUSE GAS EMISSIONS (in CO₂ equivalent metric tons)

CHANGE IN GREENHOUSE GAS EMISSIONS BY BUSINESS GROUP

(in CO₂ equivalent metric tons)

<table>
<thead>
<tr>
<th>Year</th>
<th>Wines &amp; Spirits</th>
<th>Fashion &amp; Leather Goods</th>
<th>Perfumes &amp; Cosmetics</th>
<th>Watches &amp; Jewelry</th>
<th>Selective Retailing</th>
<th>Other activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>43,481</td>
<td>43,481</td>
<td>43,481</td>
<td>43,481</td>
<td>43,481</td>
<td>43,481</td>
</tr>
<tr>
<td>2015</td>
<td>51,979</td>
<td>51,979</td>
<td>51,979</td>
<td>51,979</td>
<td>51,979</td>
<td>51,979</td>
</tr>
<tr>
<td>2017</td>
<td>66,949</td>
<td>66,949</td>
<td>66,949</td>
<td>66,949</td>
<td>66,949</td>
<td>66,949</td>
</tr>
</tbody>
</table>
The Maisons rely on energy assessments to make progress. For example, Sephora carried out an assessment in its La Canopée boutique in Paris which is BREEAM® (Building Research Establishment’s Environmental Assessment Method) certified at the “Excellent” level. Since 2007, Sephora has been rolling out an energy management system in its sales floor areas in the United States. By the end of 2017, 330 of them had been equipped and it will be installed in every area by the end of 2018. The Maison will then be able to optimize the management of energy in each store, thanks to intelligent technology such as smart thermostats. Other Maisons are implementing similar initiatives. In 2017, for example, Fendi launched a pilot web platform that gathers and processes all the energy information required to enable a reduction in CO2 emissions by 2020. The experiment covers ten stores, three production sites, and two administrative sites.

**Widespread rollout of eco-lighting**

As lighting is one of its main consumers of energy, LED lighting is very attractive for LVMH: in fact, it decreases electricity consumption by 30% compared with conventional lighting, while eliminating a lot of maintenance and offering high-quality and reliable light. The Group has therefore set itself the objective of installing LED lighting in 90% of its stores by 2020. Thanks to LVMH Lighting, it has already made significant progress in terms of eco-lighting. This program, which was launched in 2012, promotes the LED culture internally via information, awareness raising, and training initiatives. LED exhibitions, such as the one held at Tokyo, Japan on April 26, 2017, are also organized every year. As LED is a technology that is still recent and has not been standardized, LVMH Lighting also helps the Maisons to install systems. An e-commerce website (lvmhlighting.com), which was placed online in 2014, now offers their teams and installation staff more than 600 innovative, efficient, and cost-effective solutions. At the same time, LVMH is developing its own systems, such as the LVMH Light Engine. This miniature lighting unit, which was not available on the market, offers the same amount of light as a 40-watt light bulb, but consumes only 12 watts. The Group is also contributing to the emergence of high-quality solutions with proven performance and easy to maintain via two organizations of which it is a founding mem-

**BREAKDOWN OF DIRECT AND INDIRECT EMISSIONS PER YEAR (in CO₂ equivalent metric tons)**

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>% of direct emissions</th>
<th>% of indirect emissions</th>
<th>2016</th>
<th>% of direct emissions</th>
<th>% of indirect emissions</th>
<th>2015</th>
<th>% of direct emissions</th>
<th>% of indirect emissions</th>
<th>2014</th>
<th>% of direct emissions</th>
<th>% of indirect emissions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Wines &amp; Spirits</strong></td>
<td>36,442</td>
<td>69</td>
<td>31</td>
<td>39,787</td>
<td>68</td>
<td>32</td>
<td>43,481</td>
<td>68</td>
<td>32</td>
<td>47,802</td>
<td>67</td>
<td>33</td>
</tr>
<tr>
<td><strong>Fashion &amp; Leather Goods</strong></td>
<td>149,299</td>
<td>25</td>
<td>75</td>
<td>143,336</td>
<td>17</td>
<td>83</td>
<td>159,044</td>
<td>15</td>
<td>85</td>
<td>128,364</td>
<td>4</td>
<td>96</td>
</tr>
<tr>
<td><strong>Perfumes &amp; Cosmetics</strong></td>
<td>13,865</td>
<td>55</td>
<td>45</td>
<td>12,650</td>
<td>50</td>
<td>50</td>
<td>15,804</td>
<td>39</td>
<td>61</td>
<td>13,979</td>
<td>40</td>
<td>61</td>
</tr>
<tr>
<td><strong>Watches &amp; Jewelry</strong></td>
<td>12,433</td>
<td>32</td>
<td>68</td>
<td>11,950</td>
<td>16</td>
<td>84</td>
<td>13,627</td>
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<td>87</td>
<td>13,392</td>
<td>10</td>
<td>90</td>
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<tr>
<td><strong>Selective Retailing</strong></td>
<td>164,442</td>
<td>2</td>
<td>98</td>
<td>175,377</td>
<td>2</td>
<td>98</td>
<td>174,006</td>
<td>2</td>
<td>98</td>
<td>166,286</td>
<td>2</td>
<td>98</td>
</tr>
<tr>
<td><strong>Other activities</strong></td>
<td>2,831</td>
<td>33</td>
<td>67</td>
<td>2,529</td>
<td>29</td>
<td>71</td>
<td>2,842</td>
<td>32</td>
<td>68</td>
<td>2,821</td>
<td>29</td>
<td>71</td>
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<tr>
<td><strong>TOTAL</strong></td>
<td>379,312</td>
<td>23</td>
<td>77</td>
<td>385,629</td>
<td>17</td>
<td>83</td>
<td>408,804</td>
<td>16</td>
<td>84</td>
<td>372,644</td>
<td>13</td>
<td>87</td>
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</table>
LVMH’s proactive eco-lighting policy has resulted in a constant increase in the percentage of square meters that are fully lit with LED lighting within the Group over the past few years. This trend, which has been boosted by the launch of LIFE 2020, continued in 2017. Between the end of 2016 and the end of 2017, the number of square meters of sales floor areas with 100% LED increased from 80,000 to 200,000. The Maisons have fitted out their stores as a priority, following the lead of DFS, which has installed eco-lighting in its boutiques in Cambodia, Australia, and New Zealand. Furthermore, a large number of new projects were launched during the year, including, for example, the switching to LED of 7,000 light points in Bon Marché, at several Louis Vuitton stores and sites, and at the Loewe industrial plant in Getafe, Spain. LED lighting, which is becoming widespread at LVMH, is a source of significant energy savings for the Maisons. Again, as part of an energy-efficiency approach, the Group wants to gradually reduce the number of LED systems without losing any power or lighting quality. The long-term challenge is to fall below the threshold of 30 watts consumed per square meters. This means that emphasis is placed on the best LED solutions and their correct use. Several 2017 initiatives demonstrate this trend. LVMH specifically delivered their first Spectrometers to the Maisons. This is a tool that was developed in house in order to assess light quality. The Group also provided training in lighting design to its architects, for example by organizing trips to museums and exhibitions for them.

Increasing the use of renewable energy
At the same time as the action taken to reduce its consumption of fossil fuels, LVMH is increasing its consumption of renewable energy, which does not emit any carbon into the atmosphere. The increase has been rapid: renewable energy’s share of the Group’s energy mix increased from 1% to more than 22% between 2013 and 2017. This policy reached an important mile-

CHANGE IN ENERGY CONSUMPTION BY BUSINESS GROUP
(in MWh)
stone in 2015, when the Group signed a master agreement to provide exclusively green electricity to the 450 sites owned by 27 Maisons based in France. In 2016, a similar agreement was signed for the supply of energy to the sites of several Maisons in Italy, while LVMH began working on extending this initiative to Spain and the United States.

The Maisons are also signing their own agreements. This is what Guerlain did in Germany with Greenpeace Energy in 2017. Several of the Maisons even consume their own renewable energy. In Switzerland, TAG Heuer has installed 777 square meters of solar panels on the roofs of its industrial plant in La Chaux-de-Fonds that produce 108,000 kWh of electricity per year. In the United States, Louis Vuitton covers 31% of its San Dimas facility’s electricity requirements by using similar installations. In Italy, Loro Piana avoids emitting 750 metric tons of CO₂ equivalent into the atmosphere every year by consuming the energy produced by 11,000 square meters of solar panels installed at four of its sites. The LVMH Maisons that produce green energy also include Terrazas de los Andes, Veuve Clicquot, and Sephora North America, as well as Hublot.

Reducing the carbon impact of transport and logistics

In order to reduce its carbon impact, LVMH must also reduce the CO₂ emissions associated with transport and logistics. Even though the Maisons do not directly manage their long-distance transport, they have adopted best practices in order to combine operating performance and environmental performance. They account for and monitor their transport related CO₂ emissions. They install systems and organize themselves in order to limit the volumes to be transported. They also choose transport methods that display the best carbon report, preferring ships to airplanes, and rail to road. For example, Parfums Christian Dior launched two projects in 2017: one was aimed at installing a software package that will optimize the placing of goods on pallets when dispatching products, while the other will transport goods to China via road-rail transport. The Group’s Maisons are also developing innovative solutions, as shown by Louis Vuitton’s “Worldwide Transport” call for tenders. This consultation process, which was launched in 2016, concerned the distribution of the Maison’s products from France to all its warehouses until 2022. Its specific feature was to incorporate a qualifying environmental aspect, which had reduced the number of applicants in the running to three. Louis Vuitton was able to form a responsible relationship with its new carrier from the outset, thanks to this innovative approach. Both partners meet every three months at a business review, which the Environment Managers attend, so as to enable this aspect to be incorporated into stra-
tetric decisions. Furthermore, the agreement includes a large number of environmental requirements, such as drawing up an action plan in order to move towards “zero diesel” road transport. Louis Vuitton, which was pleased with the initial results of repeating its initiative for the Americas Region, launched a new call for tenders in October 2017, which this time covers the upstream transportation of the components for its products, and incorporates the environment as a full-fledged selection criterion.

The Maisons are also taking measures to limit CO₂ emissions during short journeys. Several of them have changed their delivery process. For example, Sephora opted for light electric vehicles developed by electric truck several years ago in order to supply its stores in city centers. This practice, which was launched in France, is becoming international. After China in 2015 and Italy in 2016, it reached the Spanish cities of Madrid and Barcelona in 2017. 2017 also saw Sephora’s Chinese electric deliveries extended to 24 stores in four large urban areas, namely Chengdu, NingBo, Shenzhen and Hefei. The Maisons are also encouraging their employees to use soft transport when they travel. This is the case of Guerlain, where the car fleet now includes 25% of hybrid vehicles that run on petrol and electricity. The Maison installed five additional electric charging stations at both its Levallois and Orphin sites in 2017. These stations are in addition to the two stations that had already been installed at its Chartres facility. Guerlain is also promoting cycling. The Maison has introduced a good citizen’s allowance for its employees in France who choose to bicycle to work. In Belgium, Guerlain has purchased two electric bicycles, which are available to its employees for their business travel during the day. This trend towards zero-carbon transport is gaining ground in production, as shown by a recent initiative introduced by Moët-Hennessy. The Maison launched a call for tenders for the transportation of champagne bottles from the manufacturing sites to the storage sites. An environmental aspect was included in the tender, and the bidding companies were requested to submit eco-friendly solutions. Transalliance was awarded the contract, winning over Moët-Hennessy with its proposal to use vehicles powered by natural gas resulting in a reduction of between 10% and 20% in CO₂ emissions.

Adjusting to climate change

The Group has reviewed the various challenges involved in adapting to climate change. The production of the raw materials required to make the Maisons’ products emerged as the most sensitive stage. In the medium term, changing viticulture practices is the main component of the Group’s adaptation strategy. Several responses are possible where the European vineyards are concerned, depending on the magnitude of the climate change observed, from changing the harvest dates, changing the methods for managing the vines (widening the rows, increasing the size of the vines and using irrigation in some countries, etc.) to trialing new grape varieties. In the case of vineyards located in Argentina and California, the main challenge is the availability of water. Lastly, in view of current scientific knowledge, vineyards located in New Zealand or Western Australia are the least sensitive to climate change.

TARGET SITE: IMPROVEMENT OF ENVIRONMENTAL KEY PERFORMANCE INDICATORS BY 10% FOR ALL INDUSTRIAL SITES, OFFICES AND STORES

From its launch in 2012, the LIFE Program included one imperative: environmentally-friendly sites. This commitment was strengthened with LIFE 2020. As a major player in the luxury goods industry, LVMH wants to ensure that its 369 industrial and administrative sites and its 4,000 stores are exemplary. The Group has asked its Maisons to introduce an environmental management system at all their production sites, and at its administrative sites hosting more than 50 people. The Maisons must also commit to an approach of ongoing improvement: using 2013 as a baseline, LVMH is asking them to reduce at least one of the following indicators by 10% at each of their sites: water consumption, energy consumption or the generation of waste. They have also been assigned objectives for their stores. They must improve the average energy efficiency of each existing sales floor area by 2020 (the initial improvement objective, set at 15%, has already been exceeded). As for the new boutiques, they must achieve an environmental performance of at least 50/100 on the LVMH Store Guidelines matrix, drawn up in 2016 on the basis of the most demanding international guidelines.

Making sustainable construction widespread

Well before the launch of LIFE 2020, LVMH had already ensured that it built and renovated its buildings in an environmentally-friendly manner. With its new goal of environmental excellence for all its sites, the company has increased its emphasis on this policy. The challenge is to have workshops, plants, warehouses, stores, and offices that comply with the highest standards: BBC* (Energy-Efficient Building), HEQ* (High Environmental Quality), BREEAM* (Building Research Establishment’s Environmental Assessment Method) and LEED® (Leadership in Energy and Environmental Design). In this way, LVMH ensures that all the environmental parameters are taken into account at every stage of its real estate projects, from construction site to maintenance of the premises. Over the past ten years the Group has constructed about 30 eco-friendly buildings. Some of them are particularly remarkable for their pioneering nature and/or their level of environmental performance. This is the case with EOLE, the warehouse opened by Louis Vuitton in Cergy-Pontoise.
(certified LEED® EDOM at the “Gold” level), and with La Ruche, the plant opened in Chartres by Guerlain in 2015 (which is certified HEQ® at the “Excellent” level), as well as of La Canopée, the boutique opened in Forum des Halles in Paris by Sephora (which is BREEAM® certified at the “Excellent” level).

The list of LVMH’s buildings that are exemplary from an environmental standpoint grew even longer in 2017. For example, Bulgari’s jewelry workshop in Valencia, Italy, was awarded LEED® certification at the “Gold” level in July. This certification recognizes a project that was conducted with a continual concern to reduce the carbon footprint, ensure the highest energy-efficiency possible, prioritize natural materials and processes, eliminate waste, and ensure optimum working conditions for the occupants. Hennessy inaugurated Pont Neuf, a new facility dedicated to the packaging and logistics for its cognacs, in October. This facility, which has been built on more than 32 hectares in Salles-d’Angles in the Charente Department, is a modern facility not only in terms of eco-construction but also of eco-management, comfort, and health, and was certified according to the French HEQ® standard and reached the “Exceptional” level during the execution stage. This distinction actually means that the highest possible level was achieved for most of the 14 targets set out in the certification specifications. In the case of Pont Neuf, 12 of these targets met the highest standards for the entire facility, including bottling and filtering, offices, and dry materials and finished product logistics. For example, Pont Neuf is entirely lit using LED lighting, while geothermal power is used to regulate the temperature of the equipment. In November, the extension to the store opened by Sephora in the Chodov Shopping Mall in Prague, in the Czech Republic, was awarded BREEAM® certification with a “Very Good” score. The Maison was also awarded HEQ® certification at the “Excellent” level for its two new European headquarters. In addition to these great successes, 2017 was characterized by the increasing attention paid to the sites’ internal layout and equipment. The new boutique opened by Parfums Christian Dior in rue Saint-Honoré in Paris illustrates this trend: the flooring and furniture are made out of oak from sustainably managed French forests, while the wall coatings contain 10% of mineral materials. Meanwhile, the screens, which were manufactured using the OLED (organic light-emitting diode) technology, consume 35% less electricity than the old screens.

Taking measures to promote biodiversity around the sites

The blending of buildings into the natural landscape is one of the imperatives of sustainable construction. The Maisons of LVMH are very vigilant on this point: they create wildflower fields and green spaces managed in a sustainable way, and they reforest and protect certain areas. Some Maisons even go further to encourage local biodiversity. In 2017 for example, the Champagne Maisons actively prepared for the arrival of bees at Val du Clos, their new red wine winery in Gylé-sur-Seine. Since 2015, fruit trees have been planted at the site. The Maisons have supplemented this landscaped layout by planting a nectar-rich and pollen-rich fallow field. In July, they also installed eight hives in the park around the Gylé-sur-Seine winery. The plan is to move these hives to Val du Clos in the spring of 2018, where the first honey harvest has been scheduled in May. Again, with a view to protecting biodiversity, the Champagne Maisons have installed an eco-meadow at their logistics platform in Champagne de Recy: from May to October 2017, maintenance of the lawn around the warehouse was provided by a flock of sheep. Eco-meadows are a growing practice within the Group. At end 2016, Guerlain hosted around 50 sheep at its manufacturing sites at Orphin and in 2017 near to 100 sheep moved into the La Ruche facility in Chartres. As for Sephora, it has, since 2017, been host to two Ouessant sheep at its head office.

Improving energy management

Good energy management is crucial for improving the sites’ environmental profile. The Group’s Maisons are working at it, exploring all avenues for progress. The sustainable construction policy is one avenue: by complying with HEQ® standards, Hennessy is making energy savings of 40% at its new production facility in Pont Neuf. Eco-lighting is another. When it renovated the Fondaco dei Tedeschi in Venice, an 8,000 square meters building built in the 13th century – in an exemplary manner – in order to install its first European department store, DFS devoted particular attention to the building. Natural light was optimized, and night lighting was restricted. Meanwhile, the electricity consumption is only 25 watts per square meters thanks to exclusively LED-lighting systems. DFS is now planning to create an air facility not only in terms of eco-construction but also of eco-management, comfort, and health, and was certified according to the French HEQ® standard and reached the “Exceptional” level during the execution stage. This distinction actually means that the highest possible level was achieved for most of the 14 targets set out in the certification specifications. In the case of Pont Neuf, 12 of these targets met the highest standards for the entire facility, including bottling and filtering, offices, and dry materials and finished product logistics. For example, Pont Neuf is entirely lit using LED lighting, while geothermal power is used to regulate the temperature of the equipment. In November, the extension to the store opened by Sephora in the Chodov Shopping Mall in Prague, in the Czech Republic, was awarded BREEAM® certification with a “Very Good” score. The Maison was also awarded HEQ® certification at the “Excellent” level for its two new European headquarters. In addition to these great successes, 2017 was characterized by the increasing attention paid to the sites’ internal layout and equipment. The new boutique opened by Parfums Christian Dior in rue Saint-Honoré in Paris illustrates this trend: the flooring and furniture are made out of oak from sustainably managed French forests, while the wall coatings contain 10% of mineral materials. Meanwhile, the screens, which were manufactured using the OLED (organic light-emitting diode) technology, consume 35% less electricity than the old screens.

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<table>
<thead>
<tr>
<th>Indicators</th>
<th>Baseline</th>
<th>2017 performance</th>
<th>2020 objective</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rolling out an environmental management system (ISO 14001, or EMAS, etc.) at 100% of the manufacturing sites</td>
<td>60%</td>
<td>72%</td>
<td>100%</td>
</tr>
<tr>
<td>Reducing the consumption of energy or water or the generation of waste at manufacturing sites by 10%</td>
<td>Process water: -0.9%</td>
<td>Total energy: -18%</td>
<td>-40% on one of the three indicators</td>
</tr>
<tr>
<td>Total waste: -3.52%</td>
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<td></td>
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</table>
### COD AFTER TREATMENT

**Environment**

<table>
<thead>
<tr>
<th>Sector</th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
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<td>3,985</td>
<td>3,289</td>
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<tr>
<td>Fashion &amp; Leather Goods</td>
<td>39</td>
<td>152</td>
<td>152</td>
<td>138</td>
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<tr>
<td>Perfumes &amp; Cosmetics</td>
<td>9</td>
<td>7</td>
<td>7</td>
<td>14</td>
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<tr>
<td><strong>TOTAL</strong></td>
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<td>3,354</td>
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<td>4,173</td>
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### GROUP WATER CONSUMPTION

**Environment**

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<tr>
<th>Year</th>
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<th>2015</th>
<th>2016</th>
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<td>Consumption</td>
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<td>4,064,893</td>
<td>5,092,605</td>
<td>4,863,705</td>
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<tr>
<td>of which estimated</td>
<td>4,064,893</td>
<td>4,923,033</td>
<td>5,092,605</td>
<td>4,863,705</td>
</tr>
<tr>
<td>Pro forma amount</td>
<td>4,923,033</td>
<td>5,092,605</td>
<td>4,863,705</td>
<td>4,863,705</td>
</tr>
</tbody>
</table>

### CHANGE IN WATER CONSUMPTION BY BUSINESS GROUP

<table>
<thead>
<tr>
<th>Year</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumption</td>
<td>4,183,154</td>
<td>4,064,893</td>
<td>5,092,605</td>
<td>4,863,705</td>
</tr>
<tr>
<td>of which estimated</td>
<td>4,064,893</td>
<td>4,923,033</td>
<td>5,092,605</td>
<td>4,863,705</td>
</tr>
<tr>
<td>Pro forma amount</td>
<td>4,923,033</td>
<td>5,092,605</td>
<td>4,863,705</td>
<td>4,863,705</td>
</tr>
</tbody>
</table>
their reporting. In 2017, for example, Louis Vuitton installed a sub-metering system to measure electricity consumption at its Asnières workshop, and organized monitoring by an Energy Manager. This initiative resulted in a 15% reduction in electricity consumption in three months. Modernization of the equipment and processes is another way to improve energy management. In 2017, many measures were taken in this area. In the United States, Sephora replaced the heating and air-conditioning equipment in 30 boutiques. In France, Guerlain optimized the compressed air production room in Orphin, and changed the industrial boiler, which was the biggest consumer of energy at the facility. In Belgium, the Maison has switched to managing data in the cloud in order to reduce the use of local servers. In Poland, Belvedere continued to improve its distilling process. By continuing to modernize the heating processes and developing a heat recovery system, the Maison was able to reduce its consumption of gas by a further 7%, following the 3.7% reduction recorded in the previous year.

**Saving water and preventing water pollution**

In 2017, LVMH’s Maisons consumed 4,721,037 cubic meters of water for farming purposes, and 4,813,154 cubic meters of water for the manufacture of its products. As for consumption in the 81% of sales floor areas that are not included in the reporting process, this amounted to 936,618 cubic meters. Water is a precious resource for the Group, which makes water management a priority. This is illustrated by the in-depth study conducted for all the Maisons in 2012. This study, carried out using the Pfister 2009 index and the 2012 Aquastat database enabled LVMH to assess the sensitivity of each geographic region by comparing the consumption of water with the resources available locally. This analysis showed that four wine-growing Maisons, which consume significant amounts of water at Group level, are located in regions where water stress is close to 100% (i.e., where the need for water is at a similar level as the available resources). These Maisons are Cheval des Andes and Terrazas de Los Andes, as well as Domaine Chandon California and Newton. Since then, these Maisons have made efforts to save and recycle water by introducing solutions such as drip irrigation and rethinking their production processes. This attention paid to water resources is also found in the Group’s other business sectors. For example, 50% of the water used at the Loro Piana plant comes from recycling, and it is never discharged without being absolutely pure. Meanwhile, Bvlgari, at its new workshop in Valenza, has favored plants that do not need much watering, has used innovative technologies to purify waste water and has reduced the consumption of domestic water thanks to systems such as flow restrictors.

In 2017 and reinforced by the goals of LIFE 2020, LVMH’s commitment to better water management was not found wanting. The Maisons acted both to limit their consumption and to prevent water pollution. Louis Vuitton has therefore continued to install in its workshops tool-cleaning machines that use less water, such as the closed circuit washing and rinsing sprays at Ducey, and the machines for cleaning the coloring pistols without water at Sainte-Florence. Guerlain has equipped its facility in Chartres with separate holding tanks for detergents in the laundry room, and has changed the storage equipment, so that it no longer has to clean its vats with large amounts of water. Finally, the Glenmorangie Maison in Scotland has commissioned a facility that purifies 95% of the water discharged by its distillery. This initiative, which is particularly innovative, is based on an anaerobic digestion system, which is a natural biological process for breaking down organic matter in the absence of oxygen.

**Reducing and recovering waste**

LVMH and its Maisons are focused on limiting their production of waste, which is one of LIFE 2020 objectives. In 2017, 91% of the 78,549 metric tons of waste generated by its Maisons’ activities were recycled, recovered as energy, or re-used. A part of this (2,435 metric tons) was treated by CEDRE (Environmental Center for Environmentally-Friendly Packaging Elimination and Recycling), opened at Pithiviers in 2009. Over the years, a growing number of Maisons have had a wide variety of items transported to the facility, ranging from bio-waste to advertising materials, uniforms and product testers. Thanks to various selective sorting channels, all these items are treated according to the specific features of their recovery process, which may therefore be maximal.

CEDRE sells the product of this treatment process (glass, cardboard, wood, metal, plastic, alcohol, and cellophane) to around 60 specialist recycling centers. The Group has a keen interest in the circular economy and is about to publish a White Paper on the subject, prepared jointly with the French Federation of Beauty Companies. For example, the shopping bag launched by Louis Vuitton in 2017 when it opened its store at the place Vendôme in Paris, was manufactured with a special paper that replaced 25% of the wood fibers with leather cut-offs that had

**CHANGE IN THE GROUP’S WASTE PRODUCTION**

<table>
<thead>
<tr>
<th>Year</th>
<th>Waste Production (in metric tons)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>92,826</td>
</tr>
<tr>
<td>2015</td>
<td>89,943</td>
</tr>
<tr>
<td>2016</td>
<td>80,787</td>
</tr>
<tr>
<td>2017</td>
<td>78,549</td>
</tr>
</tbody>
</table>

Pro forma amount
CHANGE IN THE WASTE PRODUCED BY EACH BUSINESS GROUP
(in metric tons)

<table>
<thead>
<tr>
<th>Business Group</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wines &amp; Spirits</td>
<td>66,840</td>
<td>64,003</td>
<td>52,899</td>
<td>48,410</td>
</tr>
<tr>
<td>Fashion &amp; Leather Goods</td>
<td>10,000</td>
<td>9,886</td>
<td>11,998</td>
<td>12,505</td>
</tr>
<tr>
<td>Perfumes &amp; Cosmetics</td>
<td>30,000</td>
<td>31,314</td>
<td>28,718</td>
<td>27,143</td>
</tr>
<tr>
<td>Watches &amp; Jewelry</td>
<td>20,000</td>
<td>23,195</td>
<td>19,811</td>
<td>18,741</td>
</tr>
<tr>
<td>Selective Retailing</td>
<td>5,994</td>
<td>5,958</td>
<td>5,988</td>
<td>5,994</td>
</tr>
<tr>
<td>Other activities</td>
<td>1,965</td>
<td>1,504</td>
<td>8,171</td>
<td>1,764</td>
</tr>
<tr>
<td>TOTAL</td>
<td>143,680</td>
<td>148,934</td>
<td>128,238</td>
<td>121,158</td>
</tr>
</tbody>
</table>

PERCENTAGE OF WASTE VALUE

CHANGE IN THE HAZARDOUS WASTE PRODUCED BY EACH BUSINESS GROUP
(in metric tons)

<table>
<thead>
<tr>
<th>Business Group</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wines &amp; Spirits</td>
<td>287</td>
<td>573</td>
<td>642</td>
<td>441</td>
</tr>
<tr>
<td>Fashion &amp; Leather Goods</td>
<td>1,072</td>
<td>1,091</td>
<td>1,016</td>
<td>885</td>
</tr>
<tr>
<td>Perfumes &amp; Cosmetics</td>
<td>1,609</td>
<td>1,422</td>
<td>1,477</td>
<td>1,424</td>
</tr>
<tr>
<td>Watches &amp; Jewelry</td>
<td>197</td>
<td>151</td>
<td>141</td>
<td>124</td>
</tr>
<tr>
<td>Selective Retailing</td>
<td>121</td>
<td>39</td>
<td>67</td>
<td>113</td>
</tr>
<tr>
<td>Other activities</td>
<td>71</td>
<td>78</td>
<td>118</td>
<td>139</td>
</tr>
<tr>
<td>TOTAL</td>
<td>3,357</td>
<td>3,354</td>
<td>3,461</td>
<td>3,126</td>
</tr>
</tbody>
</table>
been ground down to powder. The bag remains recyclable and compostable. The fragments of matter visible on the surface give it a natural appearance, which is complemented by being very soft to the touch. Louis Vuitton, attracted by the qualities of this new paper, is thinking of applying it for other purposes as from 2018. Finally, LVMH is also thinking about new ways to take action, for example testing the shared collection of waste from seven boutiques in Paris.

This momentum towards sustainable waste management intensified in 2017, thanks to the measures taken by the Maisons, in all LVMH’s business sectors. In the United States, for example, Sephora has reduced the amount of equipment used for the decoration and display of its sales floor areas, thus reducing the amount of waste at source. At its new London offices, Thomas Pink has set up several recovery channels, in particular for food waste, electrical and electronic waste, glass, and batteries. In Paris, Guerlain had its Champs-Élysées store window decorated by a renowned artist using cardboard boxes from its Chartres production facility. Moët & Chandon organized a charity sale of advertising items by offering them to its employees at very attractive prices and passing on the proceeds of the sale to two local associations. Céline has formed a partnership with an external service provider to recover and recycle the construction and interior-decoration items (doors, joinery, ceilings and lights) from its former stores. Louis Vuitton has drawn up and circulated throughout its network end-of-life instructions for its merchandising materials, including the presentation stands for its products, or uniforms advocating re-use or recycling as best practices. In France, Louis Vuitton works with a number of organizations that promote the re-use of various materials, decorations, or products (La Réserve des arts, Bilum, ArtStock and Atout Linge, for example). Louis Vuitton is currently seeking to extend this best practice locally by finding partners to increase the overall recovery rate. To date, New York and Hong Kong have identified this type of partners.

In order to face the challenges of LIFE 2020, the Maisons dedicated 2017 to preparing for new progress. Parfums Christian Dior has introduced a sub-metering system for its waste in order...
PATRICE WAGNER
CHAIRMAN OF THE BON MARCHÉ GROUP

“Le Bon Marché and La Grande Épicerie are going to reduce their carbon gas emission rate by 50%, which amounts to 2,700 metric tons, by joining the ‘climespace system’ for everything that has to do with ventilation and air-conditioning and exchanging all their light bulbs into LED system light bulbs. That is one of the first points. The second important point: we have already turned 850 square meters on the roof of La Grande Épicerie into a shared kitchen garden exclusively reserved for our teams; meanwhile, starting this summer, we are going to turn 800 square meters on the roofs of Bon Marché into a kitchen garden and the fruits, particularly these vegetables, will be used by our chefs to prepare food for the restaurants in our stores.”
to start an analytical approach. In Europe, Sephora measured the actual weight of the daily waste at its stores: this study showed that the weight varied significantly depending on the rotation of events, and the Maison is now considering a selective sorting process. In Italy, Bvlgari formed a pioneering partnership with ECS (Ecologia Consulenza Servizi) in order to develop the circular economy in Perfumes & Cosmetics. The Maison is experimenting with a new and more effective sorting and recycling process. It then wishes to enable other Italian Maisons such as Acqua di Parma to benefit from this experiment. These initiatives should enable an increase in the waste recovery rates at the LVMH Group, some of which are already high. As a result, LVMH Fragrance Brands recovers more than 96% of the waste produced at its two workshops at Vervins and Beauvais.

Continuously improving thanks to certification

LVMH is aiming for excellence in terms of protecting natural resources. This is why the Group has decided to roll out environmental certification generally, at all its sites. It sees environmental certification as a dynamic, uniting, and motivating tool for improvement on an ongoing basis. This certification initiative at the Maisons is not new: in fact, LVMH’s Environmental Charter requires them to set up an environmental management system, backed at management level. Many of them have opted for ISO 14001, and 63% of the Group’s productions sites are thus certified. Hennessy played a pioneering role by becoming the first wines and spirits company in the world to be awarded ISO 14001 certification in 1998. It was also one of the Group’s first Maisons to be certified according to the standard 2015 guidelines, which apply across the entire value chain of its products. Other Maisons have followed Hennessy’s example, in all LVMH’s business sectors, which has resulted in a regular increase in the number of certified sites. For example, all Guerlain’s sites in France have been certified since 2011, and the Maison has been rolling out the standard internationally, since 2013. Meanwhile, 77% of Louis Vuitton’s workshops were certified at the end of 2017. The Maison is also implementing a pioneering certification initiative since it was the first company in the world to obtain the ISO 14001 environmental certification for its entire Leather Goods and Accessories logistics chain in 2013. In 2017, environmental certification made further progress at LVMH. Bvlgari specifically organized several meetings to prepare for ISO 14001 certification, between 2018 and 2020, of all its production sites and its head office. Several Maisons, such as Glenmorangie and Belvedere, have prepared for the transition of their environmental management system to the 2015 version of the standard. This transition is already well underway at Louis Vuitton, which wants to have all its industrial and logistics sites certified according to the new guidelines by the end of 2018. Hennessy, which has been certified since 2016, has moved to the next stage, a first follow-up audit. Thirty people were audited at fifteen departments and five sites. No breaches were identified, and many strong points were noted, including where water, energy, transport, waste, eco-design, sustainable viticulture, and communications are concerned. The Maison now has a mature environmental management system, adapted to its business activities and consistent with LVMH’s commitments. Some of LVMH’s Maisons use standards other than ISO 14001 in order to make progress from an environmental standpoint. Since 2016, the Cheval Blanc hotel at Courchevel in France and the Randheli Hotel in the Maldives have been certified by Earth-Check (the equivalent of ISO 14001 in the hotel sector) at the “Silver” level. All Fendi’s sites in Italy have dual ISO 14001 and OHSAS 18001 (British Standard Occupational Health and Safety Assessment Series, the British standard for managing health and safety in the workplace) certification. Belvedere is also OHSAS 18001 certified and has been awarded ISO 50001 certification, which involves guidelines for the management of energy efficiency. The Champagne, Hennessy and Belvedere Maisons have been awarded ISO 22000 certification for management of the security of foodstuffs. Finally, in the United States, Chandon California and Newton have been awarded Napa Green Winery and Napa Green Land certification, awarded to vineyards and wineries in the Napa Valley that use environmentally-friendly farming methods.
NOTE ON THE METHODOLOGY OF ENVIRONMENTAL REPORTING


PROTOCOL

All consolidation and calculation rules are defined in the LVMH environmental reporting protocol, which is updated annually and is made available for public consultation by the Environment Department. Any request to consult the document may be sent to the following address: environnement@lvmh.fr

SCOPE

Reporting on the environmental indicators covered the following scope in 2016:

PRODUCTION, WAREHOUSE, AND ADMINISTRATIVE SITES (in number)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Covered sites</td>
<td>252</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Uncovered sites(1)</td>
<td>135</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL NUMBER OF SITES</strong></td>
<td><strong>387</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(1) Of which, mainly: certain regional administrative sites for Louis Vuitton and Moët Hennessy, as well as the administrative sites of Acqua di Parma, Marc Jacobs and Donna Karan.

The production sites are covered up to 79%. The industrial, logistics, and administrative sites that are not covered by the environmental report are essentially excluded for operational reasons and are not material. A plan to gradually include them is underway.

Sales floor areas included in the scope, per indicator

The surface areas included in the calculation of energy consumption, greenhouse gas emissions, and water consumption are as follows, presented as a percentage of the Group’s total sales floor areas:

**GROUP’S TOTAL SALES FLOOR AREAS (in %)**

<table>
<thead>
<tr>
<th></th>
<th>Energy consumption and greenhouse gas emissions(^{(2)})</th>
<th>Consumption of water(^{(2)})</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>GROUP TOTAL</strong></td>
<td>69</td>
<td>71</td>
</tr>
</tbody>
</table>

\(^{(2)}\) The reporting scope does not include the franchise stores operated by the Fashion & Leather Goods, Perfumes & Cosmetics, and Watches & Jewelry business groups.
The surface areas of the main Maisons included in the calculation of energy consumption, greenhouse gas emissions, and water consumption, as a percentage of each Maison’s total sales floor area, are as follows:

<table>
<thead>
<tr>
<th>EACH MAISON’S TOTAL SALES FLOOR AREA (in %)</th>
<th>Consumption and greenhouse gas emissions</th>
<th>Consumption of water</th>
</tr>
</thead>
<tbody>
<tr>
<td>DFS</td>
<td>87</td>
<td>83</td>
</tr>
<tr>
<td>Louis Vuitton</td>
<td>66</td>
<td>70</td>
</tr>
<tr>
<td>Sephora North America and Latin America</td>
<td>71</td>
<td>70</td>
</tr>
<tr>
<td>Sephora Europe, Middle East, and Asia</td>
<td>74</td>
<td>84</td>
</tr>
</tbody>
</table>

The following are also taken into account for calculating the energy consumption and greenhouse gas emissions: all the French stores owned by Berluti, Givenchy, Guerlain, Kenzo, Le Bon Marché and Make Up For Ever; and some stores owned by Acqua di Parma, Benefit, Bvlgari, Céline, Chaumet, De Beers, Fendi, Hublot, Loewe, Loro Piana, Marc Jacobs, Parfums Christian Dior, TAG Heuer and Thomas Pink.

The following are also taken into account for calculating water consumption: certain Berluti, Bvlgari, Chaumet, Fendi, Guerlain, Kenzo, and Le Bon Marché stores.

Where the production of waste is concerned, only the DFS, Le Bon Marché, and some Berluti, Bvlgari and Fendi stores are included in the scope. The Group has about 4,000 stores, and some environmental data are hard to obtain for small stores. However, the Group has set itself the objective of gradually including those stores.

REPORTING TOOL AND METHODOLOGY

The system used for the environmental reporting process is an in-house tool consisting of two kinds of questionnaire:
- one questionnaire for compiling corporate data: training, packaging, etc.;
- one (or several) questionnaires for compiling data specific to the manufacturing sites: water and energy consumption, waste generation (quantity and types of waste), and the treatment of waste, etc.

Overall, around 50 types of information all gathered from each Maison. The data are then checked and automatically consolidated in a central file. This file has many control and warning mechanisms (abnormal data and consistency problems, etc.).

INTERNAL AND EXTERNAL ASSESSMENTS

Consistency controls are performed by the sites (the data is compared with the data for the previous year), and when the data is being consolidated by the LVMH Environment Department (abnormalities, and comparisons with the previous year, etc.). Some environmental indicators are also verified externally by one of the Group’s Statutory Auditors, whose conclusions are presented in their reasonable assurance opinion on certain environmental indicators.

CHOICE AND APPROPRIATENESS OF THE INDICATORS

The purpose of the published environmental indicators is to report to stakeholders on the Group’s annual environmental results. They provide information on the environmental issues and indicators specified in the Decree of April 24, 2012, implementing article 225 of law no. 2010-788 of July 12, 2010, regarding the national commitment to the environment (also known as the Grenelle II law).
Water consumption
Water consumption is expressed in metric tons. This indicator enables the quantities of water consumed to be assessed by distinguishing between the following two requirements:
- agricultural requirement: measurement of the quantities of water used for irrigation (banned in France), and for sprinkling the vines (to prevent frost, etc.). The water volumes used are either measured directly or, more usually, estimated;
- processing requirement: this is the measurement of all non-agricultural requirements (industrial and sanitary processes, cleaning, and the watering of green spaces, etc.). These types of water consumption are almost always measured.

Water pollution
Water pollution is expressed in metric tons of COD (Chemical Oxygen Demand). This indicator reflects the total annual flow discharged into the natural environment by the sites, after treatment either at, or downstream from, the facility.
The only sectors concerned by this parameter are Wines & Spirits and Perfumes & Cosmetics, where the discharges of organic matter and other pollution from effluents are significant and directly related to their operations.

Production of waste
All the waste produced is measured in metric tons. The waste taken into account is the hazardous and non-hazardous waste removed from the sites during the reporting period. The treatment method for each kind of waste is also identified so as to calculate a recovery ratio.
The various channels for recycling waste are:
- re-use: using the waste for the same purpose as the one for which the product was originally intended (e.g. Wines & Spirits division: bottles resold to third parties);
- the recovery of materials, which includes:
  • recycling: waste is directly reintroduced into the production cycle from which it came in order to partially or completely replace a virgin raw material, e.g. paper and cardboard, and some plastics, etc.,
  • organic recovery: composting and controlled spreading of organic waste in order to fertilize soil, etc.,
  • energy recovery: incinerating and recovering the energy generated by the combustion process in the form of electricity or heat.

Energy consumption
Energy consumed is expressed in MWh and represents all the types of energy used by the company’s sites (electricity, natural gas, heating oil, heavy oil, steam, and butane-propane) and vehicles.

Greenhouse gas emissions
This indicator is expressed in equivalent metric tons of CO2 and corresponds to the greenhouse gas emissions relating to the energy consumed by the sites. It covers direct and indirect greenhouse gas emissions.

Upstream and downstream transportation
A distinction is made between upstream and downstream transport:
- upstream transport: this is the number of kilometers traveled by the raw materials and components from the final supplier site to the first delivery site. At the very least the assessment is performed on the main components and products:
  • Wines & Spirits: bottles, cases, and caps, etc.,
  • Perfumes & Cosmetics: bottles and pouches, etc.,
  • Fashion & Leather Goods: leathers, metal parts, packaging, and ready-to-wear, etc.,
  • Watches & Jewelry: pouches, boxes, and cases, etc.,
  • Selective Retailing: store bags, envelopes, and boxes, etc.;
- downstream transport: this concerns the number of kilometers traveled by all finished products from the manufacturing site to the first platform belonging to the wholesale customer or to the stores (for the selective retailing businesses and for the brands that own stores).
Packaging introduced to the market
This indicator is expressed in metric tons of material. It includes the primary and secondary packaging introduced to the market by all the Group’s Maisons. The packaging used for shipment during transportation is excluded from this indicator.

Training and awareness sessions
This indicator is expressed in hours. It includes all training and awareness-raising sessions—fully or partly dedicated to the environment, specifically:
- training employees in order to reduce their impact on the environment (energy consumption, handling of hazardous products, training on environmental regulations, training for health, safety and environment officers, training on environmental audits, water management, waste management, and sustainable viticulture, etc.);
- training on, and/or raising general awareness of, the environment (the major challenges include greenhouse gases, biodiversity, and raising the awareness of grape harvest workers, etc.) or on environmental management systems (ISO 14001, etc.);
- training provided by the holding company (orientation seminar for new managers, attendance at the Environmental Committee, and involvement of the LVMH Environment Department in Executive Committees or other meetings, etc.);
- the hours spent by in-house environmental trainers (Sustainable Development Week, World Water Day, and health and safety and environment officers who conduct training/awareness sessions, etc.).

Percentage of sites subject to an environmental audit
This indicator shows the number of sites that have been the subject of an internal or external environmental audit during the year, out of the total number of sites. The audits included in the scope of this indicator must address:
- environmental performance (waste, atmospheric, water and soil discharges; energy and water consumption, and noise, etc.);
- an assessment of environmental risk (flooding, fire, etc.);
- the company’s regulatory compliance;
- an assessment of the environmental management system (inspection audit, internal audit, or certification audit, etc.) and/or of the performance of the environmental management system.

These audits are approved by a written audit report that sets out recommendations.
The sites included in the scope of this indicator are the production sites, warehouses, and administrative sites owned and/or operated by companies controlled by the Group. The boutiques are not covered by these audits.

Expenses incurred in order to prevent the effects of business activity on the environment
This indicator is expressed in thousands of euros. It includes the following expenditure incurred, and investments made, to avoid a business activity having an impact on the environment:
- expenditure on the protection of the ambient air and the climate;
- expenditure on the management of waste water;
- expenditure on the management of waste;
- expenditure aimed at preventing noise and vibrations (not including the protection of the workplace);
- expenditure aimed at protecting biodiversity and the landscape;
- research and development expenditure;
- expenditure on other environmental protection activities.
SUMMARY STATEMENT OF THE INFORMATION COVERED BY THE DECREE OF APRIL 24, 2012

This 2017 environmental report and the 2017 registration document, which are available on the group’s website, provide information on the environmental subjects and indicators specified in the decree of April 24, 2012, implementing article 225 of law no. 2010-788 of July 12, 2010 regarding the national commitment to the environment (also known as the Grenelle II law). The verification of inclusion of the environmental information is the subject of a report issued by an independent third-party organization in accordance with the decree of May 13, 2013.

<table>
<thead>
<tr>
<th>ENVIRONMENTAL INFORMATION</th>
<th>RELEVANT CHAPTERS AND PARAGRAPHS IN THE 2017 ENVIRONMENTAL REPORT</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) General environmental policy</td>
<td></td>
</tr>
<tr>
<td>The company’s arrangements for taking environmental matters into account</td>
<td>• Chapter entitled “The framework for action”, p. 10</td>
</tr>
<tr>
<td>If applicable, the environmental assessment or certification initiatives</td>
<td>• Paragraph entitled “Continuously improving thanks to certification”, p. 50</td>
</tr>
<tr>
<td>Employee training and information initiatives implemented in terms of protecting the environment</td>
<td>• Paragraph entitled “The Environment Academy”, p. 17</td>
</tr>
<tr>
<td>Resources dedicated to preventing environmental risk and pollution</td>
<td>• Chapter entitled “Target site”, p. 43</td>
</tr>
<tr>
<td>Amount of provisions and guarantees for environmental risk, provided this information is not likely to cause the company serious harm during ongoing proceedings</td>
<td>• Chapter entitled “The framework for action”, p. 10</td>
</tr>
<tr>
<td>b) Provisions relating to the circular economy</td>
<td></td>
</tr>
<tr>
<td>b-1) Pollution and waste management</td>
<td></td>
</tr>
<tr>
<td>Measures to prevent, reduce, or remedy discharges that have a serious impact on the environment</td>
<td>• Chapter entitled “Target site”, p. 43</td>
</tr>
<tr>
<td>Atmospheric emissions</td>
<td>• Chapter entitled “Target CO2”, p. 37</td>
</tr>
<tr>
<td>Discharges into water</td>
<td>• Paragraph entitled “Saving water and preventing water pollution”, p. 46</td>
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<tr>
<td>Discharges into soil</td>
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<tr>
<td>Measures aimed at preventing, recycling, and eliminating waste</td>
<td>• Paragraph entitled “Reducing and recovering waste”, p. 46</td>
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<td>b-2) Sustainable use of resources</td>
<td></td>
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<tr>
<td>Water consumption and water supply depending on local constraints</td>
<td>• Paragraph entitled “Saving water and preventing water pollution”, p. 46</td>
</tr>
<tr>
<td>Consumption of raw materials and measures taken to improve the effectiveness of their use</td>
<td>• Paragraph entitled “Reducing and recovering waste”, p. 46</td>
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<tr>
<td>Energy consumption</td>
<td>• Paragraph entitled “Improving energy efficiency”, p. 39</td>
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<tr>
<td>Measures taken to improve energy efficiency</td>
<td>• Paragraph entitled “Improving energy efficiency”, p. 39</td>
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<td>Use of renewable energy</td>
<td>• Paragraph entitled “Increasing the use of renewable energy”, p. 41</td>
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<tr>
<td>Land use</td>
<td>• Paragraph entitled “Transmitting and updating know-how”, p. 31</td>
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<tr>
<td>c) Climate change</td>
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<tr>
<td>Significant items in terms of the greenhouse gas emissions generated as a result of the company’s business activities, including via the use of the goods and services produced by the company</td>
<td>• Chapter entitled “Target CO₂”, p. 37</td>
</tr>
<tr>
<td>Adjusting to the consequences of climate change</td>
<td>• Paragraph entitled “Adjusting to climate change”, p. 43</td>
</tr>
<tr>
<td>d) Protection of biodiversity</td>
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<tr>
<td>Measures taken to preserve or develop biodiversity</td>
<td>• Chapter entitled “Target supply chain”, p. 31</td>
</tr>
</tbody>
</table>
INFORMATION RELATING TO SOCIETAL COMMITMENTS AIMED AT PROMOTING SUSTAINABLE DEVELOPMENT

a) Regional, economic and social impact of the company’s business activities

On the neighboring or local population

- Paragraph entitled “External communications”, p. 23
- Paragraph entitled “Corporate sponsorship”, p. 21

b) Relations with persons or organizations interested in the company’s business activities, including social inclusion organizations, educational institutions, environmental protection organizations, consumer organizations, and the neighboring population

The conditions for dialog with these persons or organizations

- Paragraph entitled “Professional exchanges”, p. 18
- Paragraph entitled “Partnerships”, p. 19

Partnership or corporate sponsorship initiatives

- Paragraph entitled “Corporate sponsorship”, p. 21
- Paragraph entitled “Support for fundamental research”, p. 21

c) Subcontracting and suppliers

Taking environmental issues into account in the purchasing policy

Importance of subcontracting and taking suppliers and subcontractors’ environmental responsibility into account in relationships with them

- Paragraph entitled “Increasing the responsibility of suppliers and subcontractors”, p. 36

d) Fairness of practices

Measures taken to safeguard consumers’ health and safety

- Paragraph entitled “Ensuring compliance of the materials and substances presented in the products”, p. 32

La Grande Épicerie de Paris has several fresh food production workshops where fresh food is concerned. The Maison has developed an accurate sales forecasting system in order to adjust production to production volumes on a daily basis. A partnership has been entered into with the French Red Cross, which collects the unsold production every day.
REPORT BY THE INDEPENDENT THIRD-PARTY BODY ON THE CONSOLIDATED SOCIAL, ENVIRONMENTAL AND SOCIETAL INFORMATION PROVIDED IN THE MANAGEMENT REPORT

To the shareholders,

In our capacity as an independent third-party body accredited by the French Accreditation Commission (Cofrac) under no. 3-1050, and a member of the network of one of the Statutory Auditors for LVMH Moët Hennessy - Louis Vuitton, we hereby present our report on the consolidated social, environmental and societal information (hereinafter the “CSR Information”) for the financial year ended December 31, 2017, as presented in the Management Report, pursuant to the provisions of article L. 225-102-1 of the French Commercial Code.

The company’s responsibility

The Board of Directors is responsible for drawing up a Management Report including the CSR Information specified in article R. 225-105-1 of the French Commercial Code, prepared in accordance with the procedures applied by the company (hereinafter the “Standards”), a summary of which is provided in the Management Report and is available from the Group’s Environment Department and Human Resources Department on request.

Independence and quality control

Our independence is defined in the regulations, our professional Corporate Conduct Code, and the provisions specified in article L. 822-11-3 of the French Commercial Code. Furthermore, we have introduced a quality control system that includes documented policies and procedures aimed at ensuring compliance with corporate conduct rules, professional standards, and the applicable laws and regulations.

Responsibility of the independent third-party body

It is our responsibility, on the basis of our work:

- to certify that the required CSR Information is included in the Management Report, or that any omission is explained pursuant to sub-paragraph 3 of article R. 225-105 of the French Commercial Code (Certificate of inclusion of the CSR Information);
- to express an opinion of reasonable assurance that all significant aspects of the CSR Information, taken as a whole, are presented in a fair manner, in accordance with the Standards (reasoned opinion on the fairness of the CSR Information);
- to express, at the company’s request, an opinion of reasonable assurance that the information selected by the Group (hereinafter the “Selected Environmental Information”) has been prepared in accordance with the Standards, where all its material aspects are concerned.

On the other hand, it is not for us to pronounce on compliance with other applicable legal provisions, in particular those provided for in article L. 225-102-4 of the French Commercial Code (Vigilance Plan) and by law no. 2016-1691 of December 9, 2016 known as “Sapin II law” (fight against corruption).

Our work involved the skills and expertise of six people and took place between October 2017 and the date when our report was signed over a total period of activity of about twelve weeks. We performed the work described below in accordance with the professional standards applicable in France, and with the Decree of May 13, 2013 setting out the conditions under which the independent third-party body performs its assignment, and with the ISAE 3000(3) international standard where the reasoned opinion on fairness, and the reasonable assurance report are concerned.
1. CERTIFICATE OF INCLUSION OF THE CSR INFORMATION

Nature and scope of the work
We familiarized ourselves with the presentation of the sustainable development strategy in accordance with the social and environmental impact of the company’s operations, the company’s social commitments and, where applicable, the resulting initiatives or programs, on the basis of meetings with the managers of the departments concerned.

We compared the CSR Information set out in the Management Report with the list provided for in article R. 225-105-1 of the French Commercial Code.

We checked that any consolidated information was missing, we checked that explanations had been provided pursuant to sub-paragraph 3 of article R. 225-105 of the French Commercial Code.

We checked that the CSR Information covered the consolidation scope, i.e. the company and its subsidiaries as defined by article L. 233-1 of the French Commercial Code, and the companies that it controls as defined by article L. 233-3 of that Code, within the limits specified in the introduction to the chapters entitled “LVMH and the environment” and “Human resources” of the Management Report.

Opinion
Based on this work, and given the limits set out above, we hereby certify that the CSR Information required is included in the Management Report.

2. REASONED OPINION ON THE FAIRNESS OF THE CSR INFORMATION

Nature and scope of the work
We held about 10 meetings with the individuals responsible for preparing the CSR Information at the departments in charge of gathering the information and, where applicable, with the individuals responsible for the internal control and risk management procedures, in order to:
- assess the appropriate nature of the Standards in terms of their relevance, completeness, reliability, objectivity, and comprehensible nature, taking best practices in the sector into consideration, where applicable;
- ascertain that an information-gathering, compilation, processing and control procedure had been implemented, with a view to the completeness and consistency of the Information, and to familiarize ourselves with the internal control and risk management procedures relating to the preparation of the CSR Information.

We determined the nature and extent of our checks and controls in accordance with the nature and significance of the CSR Information, in view of the company’s specific features, the social and environmental challenges posed by its business activities, its sustainable development strategy, and best practices in the sector.

For the CSR information that we considered to be most relevant:
- at the level of the consolidating entity, we consulted the documentary sources, and held meetings to corroborate the qualitative information (organization, policies, initiatives, etc.), implemented analytical procedures on the quantitative information, checked the calculation and consolidation of the data on the basis of spot checks, and ascertained that they were coherent and consistent with the other information provided in the Management Report;
- at the level of a representative sample of entities that we selected on the basis of their activities, their contribution to the consolidated indicators, their operating location and a risk assessment, we held meetings to ascertain the correct application of the procedures, and performed detailed tests on the basis of samples, which consisted in checking the calculations performed and cross-checking the data with the supporting documents. The sample selected in this way represents 14% of the employees, on average, and between 49% and 76% of the quantitative environmental information presented.

For the other consolidated CSR Information, we assessed its consistency by comparison with our knowledge of the company.

Lastly, we assessed the appropriateness of the explanations regarding the total or partial omission of specific information, by taking professional best practices into account formalized in industry standards, where applicable.

We believe that the sampling methods and the size of the samples that we selected by exercising our professional judgment enable us to form an opinion expressing moderate assurance; a higher level of assurance would have required more extensive audit work. Given the use of sampling techniques and the other limits inherent to the operation of any information and internal control system, the risk of a material misstatement not being identified in the CSR Information cannot be completely eliminated.

Opinion
Based on this work, we did not observe any significant misstatement likely to call into question the fact that the CSR Information, taken as a whole, is presented in a fair manner, in accordance with the Standards.
3. REASONABLE ASSURANCE REPORT ON A SELECTION OF CSR INFORMATION

Nature and scope of the work
In the case of the Selected Environmental Information, we performed work of the same kind as that described in paragraph 2, above, for the CSR Information considered as most important, but in a more thorough manner, particularly where the number of tests was concerned. The selected sample represented, on average, 55% of the Selected Environmental Information. We believe that this work enables us to express reasonable assurance with regard to the Selected Environmental Information.

Opinion
In our opinion, the Selected Environmental Information presented by the company was, in all respects, prepared in accordance with the Standards.

Paris-La Défense, February 8, 2018

The independent third-party body
Ernst & Young and Associates

Eric Duvaud  Bruno Perrin
Sustainable Development Associate  Associate

(1) Scope of accreditation available on www.cofrac.fr.
(2) Information verified with reasonable assurance; percentage of facilities certified ISO 14001 (%); total water consumption for “Process” requirements (cubic meters); total waste produced (metric tons); total hazardous wastes produced (metric tons); percentage of waste recovered (%); total energy consumption (MWh); total greenhouse gas emissions (CO₂ metric tons equivalent); total packaging introduced to the market (metric tons); Chemical Oxygen Demand after treatment (metric tons/year).
(3) ISAE 3000 - Assurance engagements other than audits or reviews of historical information.
(4) Environmental and societal information: general environmental policy, measures to prevent, reduce or repair releases to the air, water and soil seriously affecting the environment, prevention measures, recycling and waste disposal, water consumption and water supply in accordance with local constraints, consumption of raw materials and measures taken to improve the efficiency of their use, energy consumption, measures taken to improve energy efficiency and the use of renewable energies, greenhouse gas emissions, measures taken to develop biodiversity; the health and safety of consumers.
Social information: total workforce as at December 31, broken down by occupational category and geographical area; voluntary and involuntary turnover; recruitment; number of accidents with work stoppages; frequency rate; severity rate; employees trained during the year (%); average number of training days per person; absenteeism rate by cause.
(5) For environmental information: Wines & Spirits businesses; Glenmorangie Tain (Scotland); MHCS (France); Domaine Chandon Argentina (Argentina); Belvedere (Poland); Fashion and leather goods businesses; Loro Piana Quarona (Italy); Louis Vuitton Malleter Barbera (Spain); Louis Vuitton Malleter Magasins (France); Ferré (Italy); Cypress Creek Farms (USA); Heng Long Tanneries (China); Christian Dior Couture (located in Blois and Paris, France); Perfumes and cosmetics businesses; Parfums Christian Dior (SJDB, France); LVMH Fragrance Brands (France); Guerlain – La Ruche (France); Watches and jewellery businesses; Hublot Nyon (Switzerland); Bulgari Magasins et Maison (Italy); Selective distribution businesses; Sephora Europe/Middle East/Asia (France); DFS Galleries (Hong Kong); Other businesses: Le Jardin d’Acclimatation (France).
For social information: Wines & Spirits businesses; Hennessy (France); Fashion and leather goods businesses; Louis Vuitton USA (United States); Louis Vuitton SCTA (Spain); Marc Jacobs International LLC (United States); Christian Dior Commercial Shangai Co. Ltd (China); Perfumes and cosmetics businesses; Parfums Christian Dior (France); Benefit Cosmetics USA (United States); Watches and jewellery businesses; Bulgari Shanghai LTD (China); Selective distribution businesses; Sephora Canada (Canada); Sephora China (China); DFS Venture Singapore Pte Ltd. (Singapore); Starboard Cruise Services (United States).
Photographs

Cover: Celebration of the 25th anniversary of the Environment Department and the environmental LIFE 2020 targets with the fashion show of eco-designed collections of Central Saint Martins students. Thomas Deron

Other photographs: Karl Lagerfeld, Jas Hennessy & Co., Jean-Philippe Cautiez, Michel Jolyot, Berluti, Laurence Guenoun - LVMH and Group Maisons' photo libraries.