

# LVMH

## SHAREHOLDERS' MEETING OF APRIL 18, 2024 – ANSWERS TO WRITTEN QUESTIONS

### 1. Questions received from the Forum for Responsible Investment – ESG

#### Environment

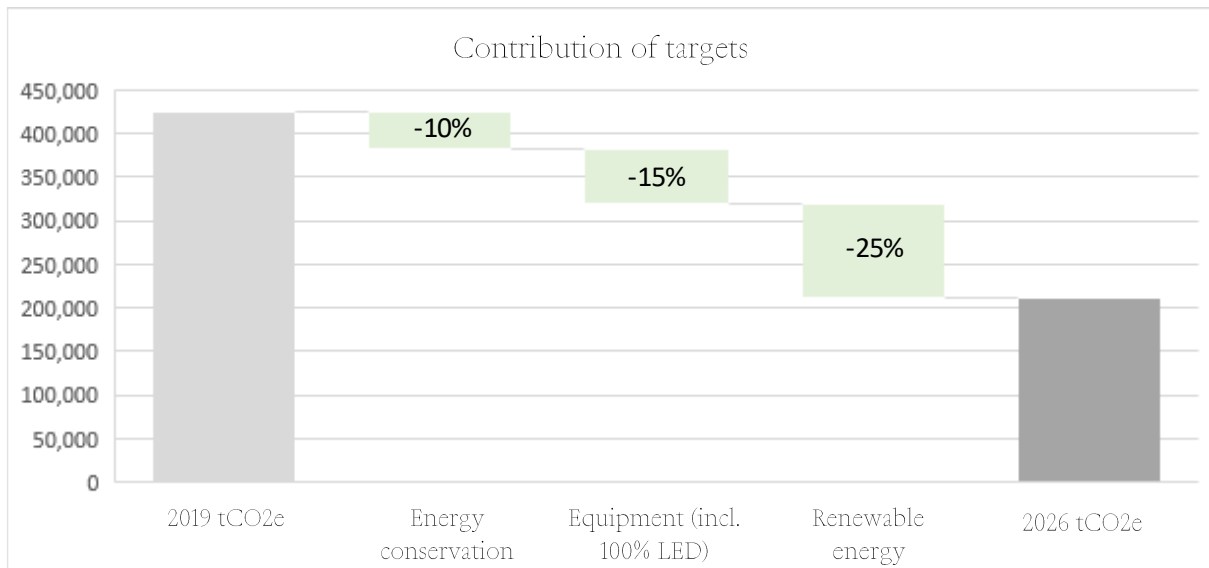
##### Question 1

- a) Could you state your decarbonization targets for the short, medium and long term for your three scopes (absolute value and intensity)? For each of your targets, please explain the main actions planned to reach these targets (please specify the contribution percentage for each action toward the target). What percentage do negative emissions (absorption, storage, etc.), avoided emissions and carbon credits contribute to the achievement of your strategy (distinct from your decarbonization targets)? To help you answer, consider filling out the table in Appendix 1.

#### Targets, actions and contributions

In 2021, LVMH reviewed its carbon trajectory, which is now aligned with the Paris Agreement for the 1.5°C baseline scenario for Scope 1, 2 and 3 emissions. This trajectory has been validated by the Science Based Targets initiative (SBTi) and is underpinned by two key commitments from the LIFE 360 strategy concerning GHG emissions:

- Scopes 1 and 2: 50% reduction in absolute value (baseline: 2019) of energy-related greenhouse gas emissions at its sites and stores by 2026. The Group has set out a decarbonization strategy consisting of various levers: energy conservation, energy efficiency and the switch to renewable energy. Means-based targets have been put in place, together with action plans to achieve them, including the following:
  - **-10%** energy consumption on sites (stores, production sites, warehouses, administrative sites) upon implementation of the energy conservation plan (Europe: 2023; world: 2024).
  - **100%** of the Group's store network equipped with LED lighting, with a target of achieving a 30% reduction in stores' energy consumption.
  - **0 stores** with consumption in excess of 500 kWh/m<sup>2</sup> in 2023 (500 kWh/m<sup>2</sup> in 2026; 300 kWh/m<sup>2</sup> in 2030).
  - **100%** renewable or low-carbon energy on-site and in-store by 2026, a goal that draws on action plans to purchase green energy for each of the Group's main geographic areas. In 2023, the Group also introduced a policy of purchasing guarantees of origin in the form of Renewable Energy Certificates (RECs) based on purchases in the country of consumption as well as specifications covering different types of renewable energy installations.



- Scope 3: reducing emissions generated by raw materials, purchases, transport, waste, product use and end of life by 55% per unit of added value by 2030 (baseline: 2019). The Group has arranged with its Maisons to put in place carbon reduction task forces specific to each business area. LVMH has put in place means-based targets, together with action plans to achieve them, including the following:
  - **Purchases of raw materials** (around 42% of the Group's Scope 3): the strategy revolves around remodeling the supply chain in accordance with circular economy principles. In particular, the Group has set itself the following targets:
    - 10% (by weight) recycled raw materials in Fashion & Leather Goods products by 2030
    - 70% recycled materials in packaging (Perfumes & Cosmetics, Wines & Spirits) by 2030
    - 100% of strategic raw materials certified by 2026
    - 100% of strategic raw materials sourced from regenerative agriculture by 2030, with the exception of recycled materials
  - **Upstream and downstream transportation** (around 8% of the Group's Scope 3): a specific target has been put in place covering transportation contributing to the achievement of the Group's Scope 3 targets, with the aim of achieving a 20% reduction in absolute emissions from upstream transportation by 2030. A key factor is the changes in the respective proportions of road/sea/air freight, with ad hoc coordination systems made available to the Maisons.
  - **Green IT** (around 1% of the Group's Scope 3): the Group has put in place a Green IT program that also includes a green e-commerce charter. The target is to achieve an absolute reduction of 20% across all IT activities.
  - **Media, marketing and communications** (around 10% of the Group's Scope 3): a task force has been put in place to change practices in this area.

### Key achievements in 2023

- Scopes 1 and 2:
  - -28% in absolute terms in 2023 relative to 2019

In 2023, the Group achieved a 28% reduction relative to the 2019 baseline, in line with the trajectory required to achieve the target of -50% by 2026.

- -10% energy consumption on a like-for-like basis

At the end of 2022, the Group put in place a worldwide energy conservation plan, resulting in a reduction of over 10% in energy consumption from stores and sites in 2023.

- o **79%** of the Group's store network equipped with LED lighting

The Maisons have made considerable efforts, notably thanks to investments made possible by the LVMH Carbon Fund (around €20 million in 2023) to replace energy-using equipment with more efficient equipment. In 2023, 85% of the Group's stores were equipped with LED lighting and most equipment at production sites was replaced.

- o **63%** renewable energy

Lastly, the proportion of renewable energy increased, reaching 63% in 2023, compared with 47% in 2022. This was made possible by entering into green energy contracts in key countries (France, Italy, Spain, etc.), investing in solar panels at key sites and purchasing RECs under a policy introduced in 2023.

- Scope 3: **-29.9%** in intensity between 2019 and 2023

Category	2019 tCO <sub>2</sub> e	2023 tCO <sub>2</sub> e	Change in intensity
3-1 Purchased goods and services	4,246,796	3,819,546	-39.8%
3-2 Capital goods	1,226,792	1,886,949	2.9%
3-3 Energy-related emissions (not included in Scopes 1 and 2)	109,891	117,437	-28.5%
3-4 Upstream transportation of goods and distribution	528,658	552,171	-30.1%
3-5 Waste	7,653	7,465	-34.8%
3-6 Business travel	104,919	171,169	9.1%
3-7 Employee commuting	204,021	184,702	-39.4%
3-10 Processing of sold products	2,587	534	-86.2%
3-11 Use of sold products	272,596	208,089	-48.9%
3-12 End-of-life of products sold	54,643	53,767	-34.2%
3-13 Downstream leased assets	1,804	-	-100.0%
3-15 Investments	63,131	144,866	53.5%
<b>Total</b>	<b>6,823,490</b>	<b>7,146,695</b>	<b>-29.9%</b>

**Percentage that negative emissions (absorption, storage, etc.), avoided emissions and carbon credits contribute to the achievement of your strategy (distinct from your decarbonization targets).**

The Group is focused on reducing its emissions. Absorption and storage arising from investments in agroforestry, regenerative agriculture and the habitat restoration and conservation program is not currently counted.

It will be taken into account under the Group's commitment in respect of the SBTi's FLAG guidance, once validated.

Similarly, emissions avoided thanks to the Carbon Fund, although calculated, are not currently counted.

- b) **Could you provide us with the amount of investment needed for each of the main actions for all three scopes? Please specify the timeframes for these investments. In most cases, the information expected here is different from the European taxonomy-aligned capex/opex amounts, which only concern the investments in**

**your sustainable activities and not the investments for your entire decarbonization plan. On which baseline scenario is your decarbonization strategy based (for the three scopes)? Is it aligned with a +1.5°C scenario? Is it validated by an independent third party (SBTi, ACT-ADEME, etc.)? Please indicate the name of the scenario(s) and reference organization(s) (for example, IEA, IPCC, etc.).**

### Scenario

In 2021, LVMH reviewed its carbon trajectory, which is now aligned with the Paris Agreement for the 1.5°C baseline scenario for Scope 1, 2 and 3 emissions. This trajectory has been validated by the Science Based Targets initiative (SBTi) and is underpinned by two key commitments from the LIFE 360 strategy concerning GHG emissions:

- Scopes 1 and 2: halving energy-related greenhouse gas emissions at its sites and stores by 2026 (baseline: 2019)
- Scope 3: reducing emissions generated by raw materials, purchases, transport, waste, product use and end of life by 55% per unit of added value by 2030.

LVMH has used climatic scenario analyses to underpin its strategic orientations. LVMH took into consideration two 1.5°C-compatible scenarios generated using the global energy economy climate model **REMIND** as well as the **IEA's B2DS** scenario. LVMH has covered the whole of its value chain and used 2021 LVMH figures (and an average growth rate of +7%) to carry out the analysis; the same approach was used for the LVMH SBTN approach approved in 2021. This analysis will be updated every two years.

In 2023, in addition to the LVMH itself, seven Maisons had their commitments validated by SBTi (<https://sciencebasedtargets.org/companies-taking-action>).

### Investments

Capital expenditure (capex) and operating expenditure (opex) are influenced in climate concerns in line with the Paris Agreement in three ways:

- In 2016, LVMH became the first luxury goods company to introduce an internal carbon fund. The Group applies an internal carbon price to each metric ton of CO<sub>2</sub> emitted per year, and the amount identified must then be invested as capital expenditure in reducing greenhouse gas emissions at directly owned sites (Scopes 1 and 2), generating renewable energy and measuring energy consumption, and operating expenditure with financing guarantees of origin for electricity (RECs), biogas, biofuel and sustainable aviation fuels. In 2023, **€20 million** was invested in 95 projects (vs. €9 million in 2022), avoiding 256,000 metric tons of CO<sub>2</sub>eq. Since 2016, this brings investment to over **€80 million**. In 2023, the carbon price was increased to **€60** per metric ton, compared with €30 in 2022.
- Since 2018, approval of the Maisons' capital expenditure by LVMH's management has incorporated three environmental criteria: expected energy consumption of equipment/buildings, contribution to the Carbon Fund and installation of LED lighting.
- The new Scientific Research program announced by the Group in 2021 has been structured according to the goals of LIFE 360.

The Maisons' carbon goals, translated into strategic plans which are signed off annually by the Group's Executive Committee, constitute an integral part of budgets allocated to the Maisons' business lines. The portions in question are not consolidated.

## Taxonomy

Since 2022, the Group has identified the percentage of its aligned operations (capex) with regard to adaptation and mitigation of climate change. **8.1%** of eligible 2023 capex is aligned with the EU Taxonomy.

## Question 2

*Risks, impacts, dependencies and opportunities relating to biodiversity in company activities (internal, supply chain, products, client services, etc.) are not yet sufficiently taken into account. However, progress is being made on the context and tools (TNFD, SBTN, GRI, etc.) and on the practices. Although this matter may not seem very material for some sectors, we believe it merits analysis from all.*

- a) **Have you carried out work to assess, monitor and reduce your dependencies and risks; your impact; and your opportunities (investing in projects with a positive net impact on nature, services to promote biodiversity, etc.) relating to biodiversity and nature? Is this assessment up to date and does it cover your entire value chain (direct, upstream and downstream operations)? If the assessment covers only part of your value chain, are you planning to extend its scope? If not, please explain why not?**

Protecting natural ecosystems is of vital importance to LVMH, whose business is heavily dependent on natural raw materials (such as flowers, grapes, cotton, leather and gems). This concern is part of a long-term view that places a priority on preserving nature, from which the exceptional quality of the Group's Maisons' products is derived.

The first step in the process is to measure impacts: this can serve as a powerful lever for identifying priorities, targets and actions; measuring impacts on biodiversity remains a complex issue. LVMH has been calculating its water and biodiversity footprint for over five years; they are updated annually using the most advanced methods. LVMH undertakes to update and improve its measurement of impacts on a yearly basis, and to take part in the improvement of methods, in particular by sharing its results with the scientific community. These footprints serve to identify and quantify the most significant water and biodiversity impacts across the Group's entire value chain (upstream and downstream). In 2023, LVMH updated its biodiversity footprint and its deforestation intensity using specific, recognized pressure and sensitivity indicators such as the EF 3.0.2 and IMPACT 2002+ databases, tools provided by Trase and Global Forest Watch, the Biodiversity Integrity Index and the Dryad tool. LVMH has also rolled out the Global Biodiversity Score. The water footprint was updated using specific, recognized pressure and sensitivity indicators such as the EF 3.0.2 and IMPACT 2002+ databases and the Aqueduct, WWF Water Risk Filter, Plasteax (Mismanaged Waste Index) and AWARE methodologies.

Taking into account the results of these measurements, LVMH is taking action and making protecting and regenerating biodiversity a major focus of its LIFE 360 environmental strategy, with three main targets:

- 0 deforestation and conversion of natural ecosystems within its operations and supply chains by 2025 (using the baseline provided by Science Based Targets for Nature for the definition of natural ecosystems in 2020), including 200 hectares in 2023;
- 100% of strategic raw materials to be certified by 2026 (see table of results at the end of this question);
- 5 million hectares of habitat for flora and fauna to be protected, regenerated or restored by 2030 (2023: 3.1 million hectares).

Lastly, LVMH is as an active member of the TNFD Forum of the Taskforce on Nature-related Financial Disclosures (TNFD). As a member of the TNFD Forum, LVMH takes part in the development of standards, including in particular the one for the “Consumer Goods” category, with a focus on textiles. LVMH has undertaken to have its disclosures in respect of fiscal year 2024, for the first time, aligned with TNFD recommendations.

**b) Do you publish the results of this work? If not, are you planning to publish it? Please give reasons for your answer. Are you planning to use voluntary frameworks such as TNFD, SBTN, GRI 101, etc. to report on nature-related risks and opportunities?**

LVMH has so far published partial early results of this work:

- LVMH publishes a deforestation intensity indicator: among the raw materials considered at risk in terms of deforestation, LVMH makes use of wood and wood derivatives (paper, cardboard and viscose), palm oil derivatives and leather. These materials were identified using environmental footprint measurements of LVMH’s value chain. In 2023, LVMH quantified the potential deforestation intensity of its supply chains for these three materials in relation to their countries of origin and production methods: the result was 200 hectares per year (including animal feed). By calculating this intensity, the Group is able to establish priorities for action and measure the progress made.
- The water footprint updated in 2023 based on 2022 data put water consumption associated with the Group’s value chain at 129 million cubic meters. Of this amount, over 95% related to the production of raw materials, chiefly metals (24%), wool (18%), grapes (17%), cotton and other textiles (10%) and leather (7%).

LVMH plans to issue more comprehensive communications in 2024, notably in light of the following regulatory requirements and voluntary frameworks:

- Under CSRD, LVMH will disclose information and indicators in accordance with the ESRS.
- LVMH has also undertaken to have its disclosures in respect of fiscal year 2024, for the first time, aligned with TNFD recommendations.
- LVMH’s commitments and actions relating to biodiversity and water are also in keeping with the reference framework drawn up by Science Based Targets for Nature, which is currently under development. The framework aims to align companies’ actions with international biodiversity protection goals. LVMH is taking part in official testing of the SBT Nature approach, which began in 2023, notably for cashmere production in Mongolia and China and grape production in the Cognac region. Other supply chains will also be covered by SBT Nature trajectories.
- Lastly, LVMH responds publicly to the CDP’s Forests and Water questionnaires each year.

## Certification of strategic supply chains: LIFE 360 achievements in 2023

Indicators	Performance in 2023	Performance in 2022	Target for 2026
<b>Wines and Spirits</b>			
Grapes – Sustainable winegrowing certification (% certified grapes by weight; figures include still wines and eaux-de-vie)	LVMH vineyards: 96%	LVMH vineyards: 94%	LVMH vineyards: 100%
	French vineyards: 100%	French vineyards: 100%	Independent grape suppliers: 50%
	Rest of the world: 89%	Rest of the world: 87%	
	Independent grape suppliers: 26%	Independent grape suppliers: 20%	
<b>Fashion and Leather Goods</b>			
LWG certification of tanneries for sheep and cow leather (leather from certified tanneries by weight, as %)	96%	91%	100%
LWG certification of tanneries for crocodilian skin leather (crocodilian skin leather from certified tanneries by weight, as %)	89%	86%	100%
Certified cotton (GOTS, Better Cotton, GRS, OCS and Supima certified cotton by weight, as %)	75%	71%	100%
Certified paper, cardboard and wood <sup>(a)</sup> (FSC- or PEFC-certified paper, cardboard and wood by weight, as %)	80%	82%	100%
Certified fur (mink/fox) (fur from farms certified as complying with one of the standards recognized by the FurMark program, as %)	99.5%	98%	100%
Certified sheep's wool (merino sheep and other breeds) and cashmere (wool from farms certified RWS, ZQ, Authentico, New Merino, SustainaWOOL, Nativa or SFA, as %)	32%	29%	100%
Certification for all crocodilian farms supplying the Group's tannery (crocodilian skins from farms certified SRCP or ICFA, as %)	100%	100%	100%
<b>Perfumes and Cosmetics</b>			
Palm oil derivatives (RSPO-certified Mass Balance or Segregated palm oil derivatives by weight, as %)	95%	94%	100%
<b>Watches and Jewelry</b>			
Diamonds: RJC COP certification (carats of diamonds from COP-certified direct suppliers, as %)	99.6% <sup>(b)</sup>	99.5%	100%
Gold: RJC COP certification	95%	96%	100%
RJC CoC certification	92%	81%	100%

- c) Do you publish or are you planning to publish quantitative indicators to report on biodiversity related risks and opportunities for your company (value of assets, liabilities, revenue and expenditure considered vulnerable to nature-related risks; amount of capex, finance or investment dedicated to nature-related opportunities; etc.)? If so, which indicators, and do you set targets?

Through risk and opportunity analyses already undertaken, the Group has been able to identify and quantify a number of risks related to biodiversity and water:



Raw materials	Type of risk	Risk	+4°C scenario (€m/yr)	+1.5°C scenario (€m/yr)
Leather	Physical	Heat and water stress	800	624
Leather	Transition	Reduction of cattle size	13,000	16,900
Wool	Physical	Heat stress and change in configuration of rainfall	3,100	3,000
Transportation	Transition	Carbon tax, increased cost of fuels	5	92

LVMH plans to issue more comprehensive communications in 2024, notably in light of the following regulatory requirements and voluntary frameworks:

- Under CSRD, LVMH will disclose information and indicators in accordance with the ESRS.
- LVMH has also undertaken to have its disclosures in respect of fiscal year 2024, for the first time, aligned with TNFD recommendations.
- LVMH’s commitments and actions relating to biodiversity and water are also in keeping with the reference framework drawn up by Science Based Targets for Nature, which is currently under development. The framework aims to align companies’ actions with international biodiversity protection goals. LVMH is taking part in official testing of the SBT Nature approach, which began in 2023, notably for cashmere production in Mongolia and China and grape production in the Cognac region. Other supply chains will also be covered by SBT Nature trajectories.
- Lastly, LVMH responds publicly to the CDP’s Forests and Water questionnaires each year.

### Question 3

a) What role does the circular economy play in the company’s strategy?

Criteria to be assessed:

- **Targets (quantitative, ambitious, scope)**
- **Ambition and quality of the strategy**
- **Links made with other sustainable development topics (in particular decarbonization and biodiversity)**

### The circular economy at the heart of the LIFE 360 environmental strategy

Circular economy principles play a vital role in the Group’s environmental strategy (LIFE 360), which applies across the entire Group. They constitute one of the four pillars that underpin all the Group’s business:

- Climate
- Biodiversity
- Transparency and Traceability
- Circular Design



LVMH's Maisons work to limit the impact of their products on the natural environment by taking each product's entire life cycle into account. Through its LIFE 360 strategy, LVMH is bringing together all its Maisons around the concept of circular design. This is based on four convictions that support the development of synergies with the Group's climate and biodiversity strategies:

- **Inventiveness:** selecting innovative new materials such as those that are recycled, bio-sourced, certified and/or sourced from regenerative agriculture;
- **Simplicity:** selecting the most demanding transformation and manufacturing processes at Maisons' and suppliers' sites to reduce environmental impacts (climate, water, waste, biodiversity);
- **Eternity:** guaranteeing long product life by ensuring high quality, thanks to expertise in repairs and the art of patina, new technologies such as product recharges, refills and refurbishment, and the promotion of new services;
- **Rebirth:** helping give materials and products a new lease of life through reuse, recovery, recycling and upcycling.

### **Circular economy targets: driving action on the climate and biodiversity**

These convictions are translated into action plans with tangible targets specific to the Circular Design pillar (see below). These targets also apply, within the LIFE 360 strategy, to the Climate and Biodiversity pillars to which they contribute:

- **100%** of new products sustainably designed by 2030;
- **0%** fossil-based virgin plastic to be used in packaging by 2026;
- **100%** of Maisons to have rolled out new circular services by 2023;
- **100%** of unsold products reused, donated, repurposed or recycled by 2030 (France: 2023, Europe: 2026, World: 2030)
- **10%** of recycled materials by weight in the Maisons' Fashion & Leather Goods products by 2030
- **70%** of recycled materials by weight in packaging by 2030

### **Sustainable design - 100% of new products sustainably designed by 2030**

LVMH and its Maisons have together identified criteria encompassing at least the following:

- Use of raw materials that are certified, recycled or sourced from regenerative agriculture;
- Traceability: knowing the supplier and the country of origin for each primary raw material;
- Product life span and end-of-life treatment.

Each business group has tailored these sustainable design criteria to its own specific environmental challenges; tools are currently being rolled out to monitor performance against these criteria and assess each product and its associated packaging's environmental footprint:

**Perfumes and Cosmetics:** The Maisons have implemented the EFI (Eco-Formulation Index) and the EPI (Environmental Performance Index for packaging). The EFI score spans seven dimensions: natural origin, assessed in accordance with an internationally recognized method (ISO 16128); traceability: knowledge of the ingredient value chain; Clean Beauty: taking consumer expectations into account and anticipating potential regulatory restrictions; smart formulation: a calculation methodology for minimizing the number of ingredients used in a formula; environmental score: categorizing impacts using the European PEF (Product Environmental

Footprint) methodology; social score: assessing the social impact of operations using a methodology developed by the United Nations Environment Programme; environmental impact: using a methodology based on the EU Ecolabel and REACH to calculate the end-of-life biodegradability and ecotoxicity of ingredients.

The EPI score takes into account a number of criteria including packaging weight and volume, recycled and bio-sourced raw material content, recyclability and refill capability. The EPI calculation methodology has been updated to bring it into line with the LIFE 360 targets and various regulations.

**Fashion and Leather Goods:** Maisons in this business group are required to follow sustainable design criteria structured around three pillars: raw materials, traceability and end of life. The first pillar requires that a minimum of 50% of raw materials used must be certified, recycled or sourced from regenerative agriculture. The second pillar, traceability, aims to ensure that all suppliers in the value chain are identified. Tier 1 and 2 suppliers must be known for a product's main ingredient and the country of origin must be known for plant- and animal-based materials. Lastly, the third pillar, end of life, is about verifying and monitoring services offered by Maisons to customers designed to lengthen their products' life spans (including a reparability index). A dedicated tool for monitoring these indicators and criteria has been developed in conjunction with an expert partner. It also ensures compliance with the requirements of France's new anti-waste law for a circular economy, known as the AGECL law, and specifically its Article 13 relating to the sharing of environmental and traceability information at the time of purchase, as well as calculating the environmental impact of a product for environmental labeling in France (Climate and Resilience law) and in Europe (Product Environmental Footprint).

**Wines and Spirits, Watches and Jewelry:** After being defined, sustainable design criteria are tested by the Maisons. The Wines and Spirits business group updated its method for calculating its EPI in 2023 and is testing a tool to assess the environmental footprint of packaging.

### **Use of virgin plastic**

LVMH aims to have stopped using fossil-based virgin plastic in customer packaging by 2026. To achieve this target, the Maisons are working on an action plan that aims to:

- Use recycled plastics;
- Use bio-sourced plastics;
- Replace plastics with other materials.

This target requires reinforcing the action plan. LVMH has also set the following targets for 2030: 70% of packaging materials used by the Maisons (in customer packaging) is to be recycled, and all customer packaging is to be recyclable, compostable or reusable.

In 2023, the Group's Maisons achieved a 13% reduction in the use of fossil-based virgin plastic relative to 2019.

### **Circular services**

LVMH's 75 Maisons offer a vast range of opportunities to explore potential new cross-sector circular design practices, a priority action of LIFE 360. They have given rise to new services, which were implemented at a faster pace in 2023 with the launch of LVMH Circularity. This initiative aims to organize all packaging, product and component recycling processes and facilitate the

reintroduction of recycled materials into production processes so as to maximize the reduction in the Group's environmental impact. It includes services to:

- Make products more sustainable through repairs and refills;
- Reuse unsold and defective products and strategic materials in accordance with the established regulatory hierarchy:
  - **Donation:** any operation whereby products or materials have their branding removed and are donated to a donor organization,
  - **Reuse:** any operation by which products or materials are used again for the purpose for which they were initially designed,
  - **Repurposing:** any operation whereby products or materials that have become waste are used again,
  - **Recycling:** any operation by which products and materials are processed to create new products or materials that can be used for the same purpose as before,
  - **Downcycling:** any operation whereby an unused product or material is transformed into a new high-quality or lower-value material;
- Exchange raw and other materials between Maisons through innovative projects.

#### **b) What risks has the company identified related to resources, costs involved, and capex/opex amounts to promote the circular economy?**

##### **Criteria to be assessed:**

- **Identification of upstream and downstream risks (scarcity, supply, difficulty accessing resources, waste management, regulations, etc.)**
- **Related interest costs**
- **Capex and opex (%)**

##### **Risk**

In 2023, LVMH reinforced the identification of its risks and environmental opportunities with a double materiality analysis of climate-related impacts, risks and opportunities for the Group so as to refine the identification of key environmental challenges:

- As regards the climate impact, in 2023 LVMH carried out a survey to identify the main risks to its value chain. This survey followed the TCFD (Task Force on Climate-Related Financial Disclosures) recommendations by assessing risks using the scenario analysis method, including warming trajectories ranging from 1.5°C to 4°C. The analysis covers both physical risks associated with increasingly frequent and intense extreme weather phenomena (heat waves, droughts, extreme rainfall, cyclones, etc.) and risks triggered by the transition to a low-carbon economy (carbon pricing, regulatory changes, rising costs, shifting consumer preferences, etc.). Climate change issues are addressed using a double materiality approach that aims to reduce the Group's impact on the climate while also making the Group more resilient to physical and transition risks. This analysis, which is currently being carried out, helps align the Group with European regulations (CSRD) by fulfilling the requirement to assess sustainability issues from a double materiality perspective and to anticipate the financial implications of physical and transition risks as well as climate-related opportunities. Through this survey, 200 different processes were mapped and reviewed, enabling the Group to identify priority risks across its entire value

chain. Furthermore, LVMH has put in place a digital platform for assessing and visualizing the vulnerability of its sites to 28 types of extreme weather phenomena.

- LVMH has been calculating its water and biodiversity footprint for over five years. These are updated annually using the most advanced methods. These footprints serve to identify and quantify the most significant water and biodiversity impacts across the Group's entire value chain. Methodologies and key findings are set out in Sections 3.1, 3.2 and 3.3. LVMH is also involved in the work of the Taskforce on Nature-related Financial Disclosures (TNFD), which aims to develop a framework for identifying and measuring the financial dependencies and impacts of activities on nature and biodiversity.

The main environmental impacts and risks identified at the Group level relate to the following topics:

- Risks related to climate change;
- Impact on water resources;
- Impact on biodiversity and ecosystems (including deforestation and desertification risks as well as dependency on healthy ecosystems);
- Depletion of natural resources (including waste production and circularity issues);
- Soil and water pollution.

More specifically, some of the risks that have been identified in relation to circularity and resource depletion are as follows:

- The climate and biodiversity impact as well as the increasing scarcity of certain raw materials (cashmere, cotton, etc.) for which the implementation of circularity programs is a major driver in reducing the Group's environmental footprint and reliance on certain resources. Specific action plans are also in place covering innovation and the use of innovative alternative raw materials.
- Competition for some recycled raw materials (wool, cotton, plastic, etc.).

## **Related financial impacts**

We currently only have the table that quantifies the financial impact of climate risks for some of the Group's activities up to 2030 (see answer to question 2 c) and have not yet quantified the "consolidated" amount of capex and opex for the circular economy.

### **c) What key steps has the company taken to align its business model with circular economy principles? What percentage of revenue does it represent?**

**Criteria to be assessed:**

- **Inclusion of various circular economy priorities (reducing resource consumption or promoting conservation, sustainable design, sustainable sourcing, reuse, industrial and territorial ecology, recycling, etc.)**
- **Scalability of circular economy initiatives and projects**
- **% of revenue related to circular economy offers (or any other indicator relevant to the circular economy)**

## Taking into account circular economy priorities

Through its LIFE 360 strategy, LVMH is bringing together all its Maisons around the concept of circular design. This is based on four convictions spanning the objectives that serve the Group's climate and biodiversity strategies.

- **Inventiveness:** selecting innovative new materials such as those that are recycled, bio-sourced, certified and/or sourced from regenerative agriculture;
  - **100% of** new products sustainably designed by 2030;
  - **0%** fossil-based virgin plastic to be used in packaging by 2026;
  - **10%** of recycled materials by weight in the Maisons' Fashion & Leather Goods products by 2030;
  - **70%** of recycled materials by weight in packaging by 2030;
  - **100%** of strategic raw materials certified by 2026;
  - **100%** of strategic raw materials to be sourced from regenerative agriculture by 2030, with the exception of recycled materials
- **Simplicity:** selecting the most demanding transformation and manufacturing processes at Maisons' and suppliers' sites to reduce environmental impacts (climate, water, waste, biodiversity);
- **Eternity:** guaranteeing long product life by ensuring high quality, thanks to expertise in repairs and the art of patina, new technologies such as product recharges, refills and refurbishment, and the promotion of new services;
  - **100%** of Maisons to have rolled out new circular services by 2023;
- **Rebirth:** helping give materials and products a new lease of life through reuse, recovery, recycling and upcycling.
  - **100%** of Maisons to have rolled out new circular services by 2023;
  - **100%** of unsold products reused, donated, repurposed or recycled by 2030 (France: 2023, Europe: 2026, World: 2030)
  - **10%** of recycled materials by weight in the Maisons' Fashion & Leather Goods products by 2030
  - **70%** of recycled materials by weight in packaging by 2030;

## Actions

The LVMH group is a decentralized group consisting of 75 Maisons and six distinct business groups, each of which has its own sustainability priorities. Consolidated circular economy indicators are currently under development.

Below are some key steps taken in connection with circular services:

Since 2019, 97% of the Group's Maisons (excluding Wines and Spirits) have put in place new circular services focused on sustainability and/or recovery.

As regards sustainable product design: in 2023, the Fashion and Leather Goods Maisons began to roll out a system for monitoring sustainable design criteria and calculating environmental performance in accordance with reference frameworks in place in France and, soon, Europe. Over 300 products were assessed in 2023 across five of the Group's Maisons, achieving 61% compliance with sustainable design criteria. In 2023, Christian Dior Couture developed the Dior Denim menswear collection made from 100% RegenAgri-certified regenerative cotton. The denim fabric was washed and finished using technologies that reduce water consumption and the consumption of chemicals by 83% and 75%, respectively.

As regards sustainable packaging design: the Maisons are working on sustainable packaging design to reduce the amount of raw materials used, facilitate recycling and help put a stop to the use of fossil-based virgin plastics. For example, the Perfumes and Cosmetics business group is involved in a number of partnerships and initiatives such as those with Origin Materials (bio-sourced PET), the Avantium consortium (bio-sourced PEF), Aliplast (recycled PET), Eastman (recycled copolyester) and Dow (bio-sourced and recycled Surlyn). Some of the Group's Maisons also use plastic alternatives, for example by working with Woola, which makes packaging from waste wool. The Maisons remain committed to their sustainable design processes: for example, each of the jars in the *Haute Réparation* twin pack of Guerlain's *Abeille Royale* creams is refillable.

As regards sustainability, LVMH is developing repair services. The Repair & Care working group brings together 14 of the Group's Maisons to define standards for their repair and care services and speed up their rollout.

As regards reuse and recycling services, in France, the Perfumes and Cosmetics Maisons and Sephora use the CEDRE recovery and recycling facility to handle all the materials and products generated by the manufacturing, packaging, distribution and sale of perfumes and cosmetic products. CEDRE accepts several types of articles: obsolete packaging, obsolete alcohol-based products, advertising materials, store testers, and empty packaging returned to stores by customers. The various materials (glass, cardboard, wood, metal, plastic, alcohol and cellophane) are resold to a network of specialized recyclers.

CEDRE now handles textile waste from the fashion Maisons, for which it has become the core – along with Nona Source and Weturn (winning startup of an LVMH Innovation Award that produces 100% recycled fabric) – of a new ecosystem of closed- or open-loop fabric recycling facilities offering a new range of recovery services. By partnering with L'Agence du Don en Nature and taking on and training people from companies specifically employing people with disabilities in the couture sector, the Maisons have been able to add donation, repurposing and “textile to textile” recycling services so as to more effectively recycle unsold products. In line with developments in technology, this system will involve new partners to handle larger volumes of material and to be able to use the upcycled and recycled materials to create new products.

This ecosystem is the first building block of LVMH Circularity. This initiative aims to organize all packaging, product and component recycling processes and facilitate the reintroduction of recycled materials into production processes so as to maximize the reduction in the Group's environmental impact.

### **Achievements and scalability**

Below are some of the 2023 achievements connected with LVMH Circularity:

- 12 Fashion Maisons involved
- 25% of textile materials from Fashion Maisons in France were used to produce new textiles (Weturn)
- 280,000 meters of fabric were reused (Nona Source)
- 3,561 metric tons of materials and products recycled by CEDRE

<i>(in metric tons)</i>	<b>Amount recycled in 2023</b>	<b>Amount recycled in 2022</b>
Perfumes and Cosmetics	2,266	2,503
Selective Retailing	693	641
Fashion and Leather Goods	792	-
<b>Total</b>	<b>3,561</b>	<b>3,144</b>

LVMH Circularity enabled several major accomplishments in 2023, including Christian Dior Couture and Louis Vuitton’s launch of recycling projects to transform their materials, via WeTurn, into new, fully traceable high-quality European thread and materials. In the first quarter of 2024, Dior is launching its first ready-to-wear item manufactured from textile recycled in a closed loop.

In 2023, LVMH unveiled Prelude, a 100% upcycled collection designed by Creative Director Kevin Germanier using unsold products from LVMH’s Fashion Maisons and fabrics from Nona Source, a platform that resells unused fabrics from the Group’s Maisons, and WeTurn. This deliberately disruptive project exemplifies the Group’s ability to blend sustainability, creativity and desirability. The unsold products used were completely disassembled, unstitched or cut into strips, then reassembled and re sewn into a new fabric. The new collection – and these new techniques, which the Group intends to develop – was unveiled as part of a show at the LIFE 360 Summit in December 2023.

In 2023, Nona Source, the platform developed by the Group to facilitate the resale of unused textiles by its Maisons, confirmed its status as a circularity accelerator in the fashion industry and as an effective means to support young designers by offering high-quality fabrics at very competitive prices. Over 280,000 meters of fabric (versus 190,000 meters in 2022) from more than twelve of the Group’s fashion Maisons was upcycled in this way in 2023.

Dior Couture has converted a production line at one of its plants into a dismantling and recycling line for footwear and leather goods.

Sephora has kicked off the VM 360 project to carry out closed-loop recycling of three types of items used in point-of-sale advertising: upcycling product display modules into new displays; turning merchandising visuals into gift boxes for customers; and recovering transport boxes and turning them into shipping boxes for use in e-commerce.

The LVMH group aims to significantly develop LVMH Circularity by recovering all unsold and defective products, production offcuts and strategic materials in France, Italy and Spain and reincorporating large quantities of recycled materials into the production process.



## Workforce

### Question 4

- a) **In France, the “Climate and Resilience” law of August 22, 2021 and the National Interprofessional Agreement (ANI) of April 11, 2023 on the ecological transition and labor relations acknowledged the CSE’s environmental prerogatives and strengthened the role of local representatives. Which initiatives from the past twelve months could provide significant illustrations of changes in how these bodies operate in your group following the implementation of these provisions?**

The Group is fully aware that the involvement of all stakeholders – customers, suppliers and employees and their representatives – is essential. It therefore publishes a yearly Social and Environmental Responsibility Report, setting out the initiatives taken in this area and monitoring specific indicators within the framework of an assessed and accredited approach.

The Social and Environmental Responsibility Report is sent to members of the France Group Works Council and members of the SE Works Council, national and European employee representative bodies each comprising 29 members and representing 22 countries in the case of the European Works Council. The approach, measures taken and results in terms of environmental and workforce-related policies are included in the agenda for each meeting.

- b) **The training and expertise of labor and management representatives are essential in the context of these new prerogatives. Have you recently developed, or do you plan to develop in the near future, programs geared toward labor and management representatives to reinforce their expertise with regard to the environment, extending beyond the legal obligations?**

The LVMH group’s vocation is to ensure the development of each of its Maisons while respecting their identity and their autonomy, by providing all the resources they need to design, produce and distribute their products and services, always aiming for excellence and quality.

This *modus operandi* ensures that our Maisons are both autonomous and highly responsive. This enables close relationships with customers, to ensure that rapid, effective and appropriate decisions can be made. This approach also sustains the motivation of our employees, encouraging them to show true entrepreneurial spirit.

Each Maison has adopted this new framework and is working to reduce the carbon impact of their sites and stores, such as transportation, and is also steadfastly implementing the principles of the circular economy.

An environmental training program was conducted in 2023 for 100% of the Group’s business lines.

A dedicated training program covering the implications of the “Climate and Resilience” law and the ANI has been developed to educate Human Resources staff about the impact of new regulations on labor relations, thereby ensuring that Maisons’ CSEs are able to address this fundamental issue.

This means employee representatives either have received or will receive training on these issues delivered by specialist organizations.

- c) **International framework agreements improve the quality of labor relations within a group. Does your group have a framework agreement in place that extends beyond the scope of the European Union? If so, how have you incorporated the issue of ecological transition, and environmental issues more generally, into it? If not, do you have any plans for such an agreement? In any case, please list major initiatives that have recently strengthened the involvement of representatives of management and labor in the company’s environmental policy in your top five geographical markets outside of France.**

Given the LVMH group’s decentralized mode of operation, we do not have any international framework agreements in place.

**Question 5**

- a) **For each of the last five fiscal years, could you state the number of shares repurchased (and the number of shares in liquidity contracts) and the number of shares created, as well as the number of treasury shares at the beginning and end of each year? For each of these fiscal years, please break down: the number of shares retired; the number of shares allocated as performance shares (as well as the number of recipients and what proportion of the group’s total workforce they represent); the number of shares distributed under employee share ownership plans (as well as the number of eligible employees, the number of actual recipients, and what proportion of the group’s total workforce they represent); and other uses (including a detailed breakdown). To help you answer, consider filling out the table in Appendix 2.**

See the table below (Appendix 2). The elements indicated with a \* specify the methodology followed.

	2023	2022	2021	2020	2019
Number of shares repurchased	1,906,702	2,605,288	845,209	47,973	182,500
Number of shares repurchased under liquidity contracts	2,000	- 2,000	-13,000	- 3,000	- 59,000
Number of shares created	-	-	-	-	403,936
Number of treasury shares held at the beginning of each year	2,180,399	1,252,610	861,456	1,778,911	2,135,404
Number of treasury shares held at the end of each year	2,535,094	2,180,399	1,252,610	861,456	1,778,911
Number of shares retired	1,208,939	1,500 000	-	673,946	- 2,156
Shares allocated as performance shares					
Number of shares allocated as performance shares ( <i>provisional allocations</i> )*	212,254	167,582	304,291	177,034	200,077
Number of recipients and proportion of all group employees	cf Universal Registration Document	cf Universal Registration Document	cf Universal Registration Document	cf Universal Registration Document	cf Universal Registration Document
Shares distributed under employee share ownership programs					
Number of shares distributed under employee share ownership programs	0	0	0	0	0
Number of employees eligible/proportion of all group employees	0	0	0	0	0
Number of employee recipients/proportion of all group employees	0	0	0	0	0
Other uses	0	0	0	0	0

As regards performance share allocations, we have taken into account the number of shares in provisional allocations per year (i.e. those allocated under plans set up during each fiscal year in question), as opposed to the number of shares vested (i.e. after the vesting period).

**b) Under performance share plans, where relevant, how do you “neutralize” the effects of treasury shares or shares retired when measuring progress on targets?**

The performance criteria applicable to share plans do not take into consideration the number of shares outstanding or, consequently, the impact of treasury shares.

**c) How much have you invested (in R&D and capex) over the past five fiscal years? (Please give a year-by-year breakdown.) How much share capital have you bought back and retired over the same period? To help you answer, consider filling out the table in Appendix 3. As part of your overall approach to value-sharing, do you determine the amount to be allocated to share buybacks in light of the amount the company invests, particularly in the ecological transition (critical to both value creation and the company’s long-term sustainability)? If so, do you have specific rules in place? If not, please explain why you do not take investments into account when determining the amounts of share buybacks.**

See the table below (Appendix 3). R&D expenditure is not capitalized in the accounts. The elements indicated in red specify the methodology followed.

**In (EUR millions)**

	2023	2022	2021	2020	2019
Amount invested in R&D (non-capitalized expenditure)*	-202	-172	-147	-139	-140
Amount invested in Capex	-7,478	- 4,969	-2,664	-2,478	-3,294
Amount of capital repurchased, excluding liquidity contracts*	1,585	1,621	577	16	68
Amount of share capital and share premiums* cancelled	-759	-936	-	-94	-

**Question 6**

*A living wage may be defined as follows: “The remuneration received for a standard workweek by a worker in a particular place, sufficient to afford a decent standard of living for the worker and her or his family. The elements of a decent standard of living include food, water, housing, education, health care, transportation, clothing and other essential needs, including provision for unexpected events.” (Definition used by the Global Living Wage coalition.) Moreover, a living wage is not the same thing as a local statutory minimum wage.*

**a) Have you adopted a definition of a living wage, such as the one cited above or an equivalent definition? If so, what is it? Have you developed a policy or commitment relating to living wages (public commitments, Living Wage Employer accreditation, etc.)? Please note that, for the remaining questions, we are specifically looking for**

**information about living wages, which we distinguish from local statutory minimum wages. If you have yet to make any commitment in this area, please jump to question 7.**

In 2021, LVMH set up an in-house team – comprising the CSR, Compensation & Benefits and Supply Chain departments, in conjunction with the Fair Wage Network – to develop a fair wage policy entitled Fair Wage Principles that is applicable to all its employees and suppliers. The policy includes 15 principles covering the Group’s compensation practices (employment contract obligation, non-discrimination in wages, payment of overtime, labor relations, etc.).

Principle 3 of the policy states: “Base pay cannot be lower than the applicable statutory minimum wage for the country or, if it is set at a more decentralized level, the local minimum wage or industry minimum wage.” It also includes a definition of salary in Principle 7: “Wages should be enough to cover the basic needs of the employee and their household and to allow them to live with dignity and set aside savings”. In 2022, the Human Resources Department adopted the fair wage principles, which are first being applied internally.

For external parties, a living wage is defined in the LVMH Supplier Code of Conduct as follows: “Suppliers must, at the very least, pay salaries in full in legal tender, on a regular basis (at least every month) and without delay, pay workers for overtime work at the statutory rate, and comply with all legal requirements in respect of employee benefits. If there is no statutory minimum wage or salary or overtime pay rate in a given country, suppliers must make sure that their salaries are at least equal to average salary standards in their business sector and that overtime work is paid at at least the contractual or usual overtime hourly rate. Wages should be enough to cover the basic needs of the employee and their household, allowing them to use their income without restriction. Deductions from wages must not be used as a disciplinary measure. Suppliers must inform all workers of the wage structure and pay periods. The LVMH group expects its suppliers to ensure that all of their workers receive the benefits provided for by national legal requirements, their collective bargaining agreement, company agreement or any other applicable collective or individual agreement.”

**b) Have you begun measuring living wages based on your definition, and which methodologies do you use? If so, in which region(s) and across which scope (employees as well as self-employed workers, small farmers, etc. – and/or your suppliers’ employees)? What information do you publish on this subject? Have you identified differences between minimum wage and living wages?**

In September 2022, the LVMH group signed up for the Fair Wage Network global database, which calculates living wages nationally, regionally and locally. The database can be used to compare the entry level in the salary scale with the living wage determined by the database. As this step was taken recently, we believe it is still too early to publish data.

**c) Can you describe what steps have been taken to implement living wages? (For example: developing an internal management system on living wages, supplemented by training; partnering with labor and management representatives and/or your suppliers; improving purchasing practices; and promoting freedom of association and collective bargaining.)**

In 2021, LVMH set up a team – comprising the CSR, Compensation & Benefits and Supply Chain departments, in conjunction with the Fair Wage Network – to develop a Fair Wage policy that is applicable to all its employees and suppliers. The policy includes 15 principles covering the Group’s compensation practices (employment contract obligation, non-discrimination in wages, payment of overtime, labor relations, etc.), which were initially rolled out to the Maisons and subsequently rolled out to the Group’s strategic suppliers. However, it should be noted that at this time, most of these principles have already been incorporated into workforce audits carried out by the Group.

**d) How do you measure whether your employees and suppliers receive a living wage? Please give details of the role external audits (if any) play in monitoring. e) Have you identified any obstacles liable to hinder payment of a living wage to your employees and your suppliers’ employees (for example in countries where rights and regulations in relation to accreditation/certification are less strict)? If so, what are you doing to mitigate them? Additional question: Do you disclose the findings of any surveys you conduct, and have you put in place a whistleblowing system for your employees and suppliers?**

With regard to its employees, LVMH benchmarks salaries on an annual basis, taking into account the specific characteristics of business lines and segments. The purpose of this is to ensure that compensation levels are correctly positioned as part of an approach to attracting, recognizing, retaining and motivating its talent by offering compensation that is generous relative to employee and market expectations.

In addition, since 2022, the Group’s Maisons have been asked to transfer the rollout of the 15 Fair Wage principles across their workforce. Starting in 2023, internal audits were launched with the support of the Fair Wage Network’s expertise in pilot Maisons – Sephora and Chandon – in France, Argentina and the United States to ensure the compliance of the Maisons’ reporting with the Fair Wage policy.

Regarding suppliers, workforce audits are carried out at production sites identified as strategic for the Group. Since January 2020, LVMH’s workforce-related audit guidelines have included the concept of living wages and questions suppliers about its application. In 2023, 1,752 workforce audits were carried out at the Group’s Maisons.

In addition, since 2018, LVMH has taken part in Utthan, an embroidery industry initiative bringing together major luxury brands. This initiative aims to empower artisans (karigars) in Mumbai’s hand embroidery cluster, where many of the embroiderers partnering with the Maisons are based, and help them gain recognition for their skills. The initiative also includes an on-site training program for embroiderers. Audit guidelines and levels of compliance were reviewed and simplified in 2021, and updated to be brought in line with new regulations in India. In 2023, the program led to the introduction of a protocol to ensure that each and every embroiderer receives a living wage and health insurance. Proper implementation of these actions

will be reviewed annually, in particular using an online questionnaire that the karigars (3,000 people surveyed in 2023) can access in order to provide their responses confidentially.

### Question 7

- a) **In France: How many funds are offered to your employees as part of your employee savings plans, excluding employee share ownership? How many and which funds offered to your employees are certified as responsible (please give the names of funds and associated certifications)? How much is invested in each certified fund? Can you also give the total amount invested and the amount invested in non-certified funds excluding employee share ownership? To help you answer, consider filling out the table in Appendix 4. On average, are the amounts of matching contributions offered to your employees for certified funds higher than those offered for your other non-certified funds, excluding employee share ownership?**

Given the Group's core policy of decentralization, LVMH does not interfere with its Maisons' employee policies, notably in relation to employee savings. The Group does not collect consolidated data on these issues. Employee savings mechanisms are not standardized or centralized at Group level. Each Maison is responsible for its own mechanisms, which are designed with input from representatives of management and labor specific to that Maison.

Our Maisons offer numerous certified responsible plans (Comité Intersyndical de l'Épargne Salariale [CIES], Finansol, Greenfin, Socially Responsible Investment [SRI]) backed by government departments (Finance, Environment) or trade unions. These plans enable employees to invest their incentive payments ethically and responsibly.

Where applicable, these plans are negotiated with representatives of management and labor, who receive regular training on these issues.

For example, Parfums Christian Dior, MHCS, Moët Hennessy SAS Holding, Hennessy, Sephora and Louis Vuitton offer their employees the opportunity to invest their incentive payments in plans labelled CIES, Finansol or SRI (e.g. BNP Multipar Solidaire Dynamique, BNP Equilibre, Amundi Label Prudence, Amundi Label Actions Euroland, Amundi Diversifié Solidaire, Amundi Equilibre Solidaire ESR, Multipar Solidaire, Amundi Label Equilibre Solidaire).

- b) **If some funds are not certified but do take into account ESG criteria, could you explain how those criteria are indicative of a robust and selective ESG approach (indicate the selectivity rate and/or the topic of these funds)? Do you, alongside the labor and management representatives, plan to have additional certified funds available in the next three years?**

The Maisons aim to offer more ways to invest in responsible funds in the future; this ethical, responsible and environmental policy is regularly discussed with representatives of management and labor for each Maison.

Ethics, social and environmental concerns are also central priorities for the Maisons. Many of them have launched incentive agreements that take social and environmental criteria into account, even though there is no legal obligation to do so.



For example:

- In its two incentive agreements (Reims and Épernay), MHCS includes a sustainable development indicator (energy and waste recycling), as well as a workforce-related indicator (workplace accident frequency rate).
- Hennessy's incentive agreement includes three workforce-related and social indicators representing 37.5% of the total incentive payment:
  - An accident analysis and prevention indicator, with the accident frequency rate and the severity rate given a 50/50 weighting;
  - Reduction in electricity consumption;
  - Reduction in food waste;
  - A bonus is also offered to employees to encourage them to take part in civic projects, which can increase the incentive payment by an extra 1 percentage point when all indicators exceed their targets.
- At Make Up For Ever, one of the four indicators takes into account environmental and workforce-related criteria (paper consumption) and represents 20% of the total incentive payment.
- Guerlain's incentive agreement is divided into two parts, with (i) an incentive relating to the company's financial performance (net sales and operating profit), ranging from 3% to 10% of the total wage bill, and (ii) a sustainability-based incentive of €200-300 per person according to the results of ISO 14001 audits (standard based on the principle of ongoing improvement in environmental performance by controlling the effects of the company's operations).
- In its new incentive agreement, Parfums Christian Dior has updated one indicator out of five relating to the environment, which relates to the recovery of brand waste, or the proportion of production waste that can be recycled.

**c) How do you involve representatives of management and labor in choosing responsible funds (e.g. training, expert in charge of supporting employee education, time given to representatives of management and labor to reconsider the choice of responsible funds)? How do you involve representatives of management and labor in monitoring funds' commitment to responsibility (training for members of the Supervisory Board over and above the statutory three days, creation of a savings committee, etc.)?**

Single employee representative bodies receive training on these issues delivered by external providers.

## Governance

### Question 8

*To ensure that the company's tax responsibility is aligned with its social responsibility, the Board of Directors must be fully involved in decisions relating to tax compliance (aligned with principles such as those set out in the "B Team" initiative). With this in mind, FIR expects companies to produce a publicly available tax responsibility report, reviewed and signed off by the Board of Directors, that includes a country-by-country breakdown and is aligned with GRI 207.*

**a) Do you publish a detailed charter describing your commitments as regards corporate tax responsibility (tax practices deemed unacceptable, tax havens)? How frequently is it reviewed and approved by the Board? How does the Board ensure this charter is applied?**

The Universal Registration Document, published annually, presents the broad outline of the LVMH group's tax policy: the Group's tax policy is in line with the guiding principles described in the Code of Conduct and reflects its real activities and the Group's development, while preserving its competitiveness.

The Group undertakes to comply with applicable laws and regulations in the countries where it operates and adopts an attitude of transparency in its relations with tax authorities and undertakes to consistently provide them with relevant information enabling them to successfully carry out their duties. For example, in 2022 the Group signed up for the "Corporate Partnership" scheme put in place by the French tax authorities, demonstrating its long-term commitment to tax compliance, transparency and dialogue with tax authorities.

Through its activities, the Group plays a key role in local and regional development in the areas where it operates, in particular by means of its tax payments, which reflect its real activities and its economic impact.

The international tax reform drawn up by the OECD, known as Pillar Two, aimed in particular at establishing a minimum tax rate of 15% to limit tax evasion and arbitrage, will take effect in France starting in fiscal year 2024. The Group has launched a project with the aim of ensuring compliance with its obligations and supports the reform's goal of combating tax evasion. In light of the current state of regulations in the countries in which the Group is located, and subject to future regulatory specifications, the financial consequences mainly concern countries in the Middle East, in line with the Group's business activity in this region, and are not significant.

Twice a year, the Group's Chief Tax Officer presents key tax issues likely to affect the Group to the Performance Audit Committee (including a breakdown of the Group's tax rate, an assessment of the implications for the Group of planned and actual tax reforms, etc.). The Group Tax Department also stands ready to provide the Board of Directors with information about the Group's tax policy and management of its tax affairs.

**b) Do you disclose your tax reporting on a country-by-country basis for all countries in which you operate, i.e. going beyond the requirements of the EU directive, which are limited to reporting on EU member countries and the countries included on the list of non-cooperative jurisdictions? If not, please give reasons for your answer. Does the Board discuss the country-by-country breakdown of taxes?**

The Group regularly publishes key figures by business group, currency and geographic region, thus demonstrating transparency in LVMH's financial and non-financial reporting.

As regards country-by-country tax reporting, the Group complies with legal requirements and transparently discloses this information to tax authorities.

Against a backdrop of international fiscal instability, the LVMH group has no plans to go beyond the requirements of the EU directive. As the OECD's proposed international tax reforms have not yet been finalized, major uncertainties remain in terms of taxation, in particular as regards sharing the right to tax between states. The LVMH group believes that it would be premature to make this country-by-country tax information public.

However, the Group proactively reports on its tax footprint in France. In 2023, over 40% of LVMH's total corporate income tax bill was paid in France, accounting for 4% of the French government's total net corporate income tax revenue. Over the last ten years, the Group has paid a total of €14.4 billion in corporate income tax in France.

**c) Can you explain your effective tax rate for 2023? How consistent is it with your commitments with regard to tax responsibility? Special attention will be paid to companies whose tax rate is particularly low (less than or equal to 20%) or particularly high (around 30%).**

In 2023, the Group generated profit before tax of €21,625 million and its total tax expense was €5,673 million. The effective tax rate was 26.2% in 2023, stable compared with previous years (26.7% in 2022 and 26.2% in 2021).

This tax rate is in line with the corporate income tax rate applicable in France (25.8%) and the average of OECD countries (24%). Moreover, it is well above the average effective tax rate of major US groups (examples from 2023 include Alphabet 13.9%, Microsoft 19.0%, Visa 17.9%, Apple 14.7%, Amazon 19.0%, Meta 17.5% and Netflix 12.9%).

The LVMH group's effective tax rate is consistent with tax rates applicable in the main countries in which the Group has operations and is testament to the Group's responsible and reasoned approach to managing its tax affairs: the bulk of the Group's tax liability is concentrated in those countries in which the Group's brands and expertise are based (France, United States, Italy) and in which its products are marketed (United States, China, Japan), where tax rates are generally higher than 25%.

The theoretical tax rate reflecting the Group's geographic footprint is 24%. The difference between the Group's effective tax rate (26.2%) and its geographic tax footprint (24%) is mainly down to taxes on dividends (+1.8 percentage points).

## Question 9

*Since registration with the European Union's Transparency Register is mandatory, as is registration of interest representatives with France's Authority for Public Transparency (Haute Autorité pour la transparence de la vie publique), FIR has access to the data you submit (human and financial resources, area of interest). With this question, we would like to further guide your answers toward the influencing activities that you carried out (headquarters, subsidiaries, professional associations, or consulting firms) in ESG fields. We would like to understand how the interest representation activities are aligned with the sustainability targets and how your interest representation practices are incorporated into your group's CSR strategy.*

- a) What are the main interest activities (for example, the top 3) that you prioritize relating to your most important ESG issues? Can you list all jurisdictions where you engage in lobbying activities?**

The Group monitors any changes in policies and regulations relating to its operations and its priorities, including in particular trademark protection and the digital economy, the retail industry and competition, business relationships and access to the market, and sustainable development, as well as promoting and protecting high-end cultural and creative industries.

Our main ESG materiality issues relate to impact on ecosystems, the climate and natural resources, as well as setting up and maintaining responsible supply chains. In these areas, our interest representation activities are mainly focused on sustainable product design, use of raw materials and information about products' environmental performance, in connection with priority actions set out in the LIFE 360 environmental engagement program.

As noted in the relevant transparency registers, applicable jurisdictions include France, the European Union and the United States.

**b) How do you ensure that your ESG targets are aligned with the positions of professional associations? How do you manage potential divergences? (Examples: attempting to realign the positioning of associations with your ESG targets or considering leaving a professional association that would definitely not be aligned with your ESG strategy.) What do you publish on alignment and/or divergences in this area?**

The Group regularly takes part in the work of a number of professional associations relevant to its activities. Where necessary, LVMH is also registered in registers of interest representatives, which can also list associations of which the Group is a member. LVMH does not publish more specific reports concerning associations' positions.

**c) What role does the Board of Directors play in implementing your interest representation policy (e.g. activities, budget, meetings)?**

When implementing its Responsible Lobbying Charter, LVMH put in place dedicated governance arrangements as set out in the LVMH Code of Conduct, which refers to the role of the Ethics & Sustainable Development Committee, a committee of the Board of Directors.

This Committee ensures compliance with the individual and shared values on which the Group bases its actions. Its principal duties are to:

- help the Board of Directors define the Group's broad strategic direction with regard to workforce-related, environmental and climate-related matters, and help define rules of conduct to guide the behavior of senior executives and employees;
- ensure compliance with these rules; and
- monitor the systems put in place.

**d) Do you train in-house employees or external parties (e.g. consultants) in responsible lobbying? If so, what criteria do you apply when selecting outside firms to help you?**

LVMH delivers regular training for those involved in such activities covering regulatory requirements and mandatory disclosures governing advocacy work in each jurisdiction in which LVMH and its Maisons operate. This training is delivered by either in-house staff or specialist outside advisers selected for their subject matter expertise.

## Question 10

**a) How many Directors on the Board have CSR-related skills? Who are they and how did they acquire these skills (e.g. through education, training, professional experience)? Are these skills specific to issues in your sector (biodiversity, energy**

**transition, workforce and value chain, financial impact of climate change, etc.)?  
Do you publish a specific skills matrix for each Board member?**

As indicated in LVMH's Universal Registration Document (the LVMH URD), 11 Directors have CSR skills that they mainly acquired through their professional experience, their in-depth knowledge of the Group or their experience serving in positions and offices at companies outside the LVMH group. The backgrounds, expertise and experience of Board members are published in the URD, which is available on LVMH's website.

**b) What actions do you take to ensure the Board members' knowledge of CSR challenges is up-to-date (in-house or external training, guest speakers, updates on regulatory news or key topics, etc.)? How often?**

Directors undergo specific training. This involved raising awareness on the impact of the CSRD, environmental issues and the political and legislative outlook with regard to environmental, workforce-related and governance-related matters in France and Europe.

**c) How do you assess Directors' CSR skills? Based on which criteria? How often? Are Directors assessed individually or collectively?**

The Board's assessment methods as well as its broader operating procedures are set out in the URD, which is available on LVMH's website.

**d) Does the process for appointing new Directors include a CSR component?**

The procedures for selecting Directors are specified in the URD, which is available on LVMH's website.

## 2. Additional questions received from the Forum for Responsible Investment

### Question 1

According to the KSE Institute<sup>1</sup>, you currently continue to operate in Russia through the Dior brand. How many employees does LVMH currently have in Russia?

We would also like to know how, when you made the decision to continue to operate in the Russian Federation, you ascertained that your activities were in keeping with your own commitments in relation to human rights and did not violate the rights of your employees or other stakeholders.

What steps have you taken to ensure that you are able to identify the human rights-related risks associated with your activities in Russia and with the Russia-Ukraine conflict, as well as the impacts, in terms of human rights, of your activities on people and the conflict?

In September 2022, the Duma adopted a federal law (no. 31-FZ) whose Article 9 stipulates that foreign businesses operating in Russia must contribute to mobilization. What process have you put in place to monitor participation in the war effort? How would mobilization be compatible with your ethical and human rights commitments? In this context, how do you ensure that your business is not violating international humanitarian law and acting as an accessory to potential war crimes committed by the Russian army in Ukraine?

From 2022, the Group announced the immediate closure of the boutiques of its Houses present in Russia, including those of Dior, and support for its existing employees. As for the Perfumes and Cosmetics activity, the sale of which in Russia as elsewhere is carried out by third parties (distribution chains, department stores, wholesalers, etc.), it is not possible to ensure that Products cannot be resold on the Russian market, supplied by resellers from third countries. In order to eliminate this risk, the Perfumes and Cosmetics division has chosen to maintain very limited local activity, respecting regulations regarding international sanctions taken against Russia.

Since then, LVMH group has applied a strict policy of compliance with international sanctions against Russia. It has conducted robust checks ever since the conflict began to ensure that it does not work directly or indirectly with natural or legal entities that have been sanctioned for supporting Russia's war effort. LVMH group also makes sure it complies with restrictions on the import and export of products and raw materials, like diamonds, iron, and steel.

In 2022, LVMH group decided to sell its Sephora activity, prioritizing a respectful solution for its employees.

This limited presence cannot be equated with participation in the war effort.

### Question 2

Have your governance arrangements in relation to human rights and the management of human rights-related risks in conflict-affected and high-risk areas changed since February 2022, when the Russian invasion of Ukraine began? What

## Lessons have you learned from this conflict and how has this influenced how you manage these types of situations?

As stated in the LVMH Code of Conduct (see the following link: [https://r.lvmh-static.com/uploads/2021/09/040424\\_lvmh\\_codeofconduct\\_en.pdf](https://r.lvmh-static.com/uploads/2021/09/040424_lvmh_codeofconduct_en.pdf)), to ensure that a strong culture of ethics – including respect for individuals – is disseminated as effectively as possible, LVMH has put in place a governance structure adapted to the Group’s profile, operational realities and decentralized mode of operation.

This structure is underpinned by the following:

- An Ethics & Sustainable Development Committee – a sub-committee of the Board of Directors that ensures compliance with the individual and shared values on which the Group bases its actions. This committee’s main duties are to:
  - help the Board of Directors define the Group’s broad strategic direction with regard to workforce-related, environmental and climate-related matters, and help define rules of conduct to guide the behavior of senior executives and employees;
    - ensure compliance with these rules; and
    - monitor the systems put in place.
- The Chairman and Chief Executive Officer and the Executive Committee of LVMH, who uphold the Group’s commitment to ethics and social and environmental responsibility.
- The Maisons’ Presidents, who are responsible for disseminating the principles set out in the Code of Conduct across their respective scopes and ensuring the Code is put into practice by employees.
- A Group ESG Committee drawn from the Group’s operational departments, which supports and coordinates action to achieve the Group’s strategic goals in relation to ethics and social and environmental responsibility. This committee relies on networks of expert correspondents who are actively involved in rolling out ESG-related Group initiatives and feeding back useful information for consolidated reporting purposes.
- An Ethics & Compliance Department responsible for steering and coordinating LVMH’s ethics and compliance approach. This department is supported by a network of correspondents within the Maisons: appointed by each Maison’s President, their role is to implement the Group’s ethical standards within their respective organizations. This team has been expanded over the past few years, notably to ensure strict compliance with international sanctions.
- A recently appointed Director with responsibility for the LVMH group’s vigilance plan.



### Question 3

Should a new conflict break out involving an area of the world in which you operate, how do you ensure that human rights-related risks are taken into consideration when deciding whether or not to continue to operate in that area? What is the governance process for such decisions: consultation with the Board of Directors, members of management and/or trade unions; discussions with investors; engagement with the local population and local non-governmental organizations? How do you involve the human rights team in these decisions?

The Group continues to closely monitor international geopolitical developments and stands ready to respond quickly and effectively in the event of a crisis, under the leadership of the Group Executive Committee.

### Question 4

What is your current policy on developing new business in high-risk areas? Have you put in place an enhanced due diligence policy covering such areas?

LVMH ensures that its business model is compatible with the priority need to respect human rights and fundamental freedoms; its highest-risk activities are regularly audited to ensure that this is the case.