

# LVMH

## PRESERVING THE ENVIRONMENT

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to protect the environment

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2007

# LVMH a 15-year commitment to protect the environment

2007 LVMH

In 2007, the environmental department of the LVMH Group celebrated its fifteenth anniversary. Fifteen years of enthusiasm, conviction, incessant work to ensure that the Group, the world's luxury leader, markets exceptional products designed and manufactured with respect for nature. This commitment was first made by Bernard Arnault, who was one of the first to be aware of the stakes in sustainable development and corporate responsibility. He provided the impetus and defined protection of the environment as a strategic challenge and an integral part of LVMH's quest for excellence. This 15-year commitment has generated significant advances. Every year, new progress has been made to improve practices.

# 1992

## Creation of the Environmental Department

A key date in the history of the Group's commitment was 1992, the year in which the environmental department was formed. This department defines the broad guidelines for action and assists the Group's companies to conduct their own programs. However, LVMH was concerned about environmental issues very early on. From the beginning, sustainable development was an integral part of the concerns driving the research and development departments and the various business groups (Wines and Spirits and Perfumes and Cosmetics).

## First environment committee

An environmental, health and safety committee was created within the environmental department. About ten environmental officers were appointed in the Companies. Today, there are more than 50 officers and they meet every three months to share the best practices of their Company.

## First analysis of the life cycle

This first analysis of the life cycle of products, which was conducted on cases of twelve bottles of Hennessy VSOP cognac shipped to Germany, was a leading-edge experiment. At the beginning, it was a little disappointing because the very complex results were difficult to put into use. In the 2000's, LVMH obtained Simapro environmental assessment software. This application facilitates much clearer and faster identification of the measures to be taken to reduce the environmental impact of the Group's products, from the design stage to the end of life.

## An environmental audit at Hennessy

Up to this point, the environmental issues had been approached through a risk audit, but the environmental audit became a separate measure during the first environmental audit conducted at Hennessy in 1992.

## First ethnobotanical project

For many years, LVMH Perfumes and Cosmetics Research has used an ethnobotanical approach to find new ingredients to be used in the formulation of skin care products, make-up and other perfumes. The preservation of species and local economic development are the vectors for these projects. The first project succeeded in 1992 with the slimming cream Diorsvelte, formulated from four plants from Africa and India.







## 1993

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### Membership in Orée

In joining Orée, a French industry association, LVMH demonstrated its desire to exchange good environmental practices with other companies. This productive collaboration between associations and businesses advances the debate to the benefit of all: businesses, local authorities and NGOs.

## 1998

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### ISO 14 001 certification for Hennessy

Hennessy, the first Group company to launch such a process, was certified ISO 14001 in 1998. Nearly ten years later, this certification was renewed for the third time and a number of other LVMH brands have followed Hennessy's example. After Veuve Clicquot, Louis Vuitton and Krug, Moët et Chandon was certified in 2007.

## 1995

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### Introduction of the LVMH training modules

The training module developed on the basis of experiences in prior years were combined and resulted in the first LVMH training modules. In 2007, over 16,700 hours of training were offered.

## 1999

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### Implementation of environmental reporting

Established in several Group companies, the reporting of environmental indicators allows the Group to track the environmental performance of the Brands and provide environmental data to all the Group's stakeholders. This environmental reporting has gradually been expanded. It now covers all the Companies of the Group, which represents over 400 administrative, logistical and industrial sites. Since 2003 this data, like the financial data, has been certified by the Group's auditors.

# 2000

## Creation of the packaging manual

A tool to assist in packaging design, the packaging manual provides methods to integrate the environment into the design of packages and to comply with the various existing environmental regulations.

# 2001

## A Carbon Footprint© established at Veuve Clicquot

Précurseur, Veuve Clicquot réalise. Leading the way, Veuve Clicquot in 2001 analyzed greenhouse gas emissions and defined a strategy to reduce them. This process, initiated with the help of Jean-Marc Jancovici, was refined and generated the Carbon Footprint© tool subsequently applied by Hennessy, Parfums Christian Dior and Louis Vuitton.

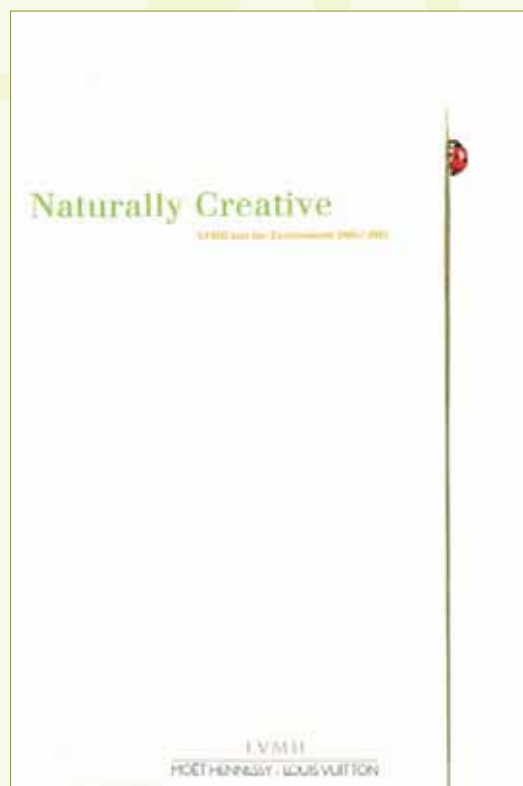
## Signature of the Environmental Charter

Signed by Bernard Arnault, the “LVMH Environmental Charter” is a solemn commitment. It asks each Company to set up environmental management and for each Chief Executive to be involved. It is the starting point for an ambitious policy.

- Aim for a high level of environmental performance
- Foster a collective purpose
- Control environmental hazards
- Guarantee the disposal of the products
- Make a commitment outside the company.

## An environmental report

To act is essential, to inform is equally important. In 2001, the measures taken to protect the environment were described in a separate section in the annual report and a very complete environmental report complemented the information.



# 2002

## Creation of a supplier and environment tool

A manual designed to integrate regulatory and proactive environmental requirements in supplier relations, the supplier tool was developed in 2002. It allows the Group's buyers to assess their suppliers on the basis of criteria specific to each business.

## 2002

### First sustainable development week

A national event, the sustainable development week was created in 2002. From the very beginning, the Group was a full partner in the event and the various Brands made their employees aware of the stakes and challenges through conferences, games or other activities.

## 2004

### First trend book

Developed by the environmental department, the environmental trend book offers designers and marketing teams from the Companies environmental quality materials that prove that beautiful can also be ecological, that eco-design is a source of creativity and innovation.

## 2002-2003

### Chairmanship of "Man and the Climate"

Within the framework of the Montaigne Institute, Bernard Arnault for two years chaired monthly meetings on "Man and the Climate" during which top specialists explained the climate challenges.

## 2003

### Participation in the Global Compact

By signing the UN Global Pact launched by Kofi Annan, Bernard Arnault renewed the commitment made with the signature of the LVMH Environmental Charter.



The Louis Vuitton salt house

## 2005

### The Louis Vuitton salt house

In order to illustrate the theme of the environment and the reduction of greenhouse gases at the Aichi universal exposition in Japan, Louis Vuitton built a house of salt, a natural, white and noble material. It was dissolved and disposed of in the ocean after the event.



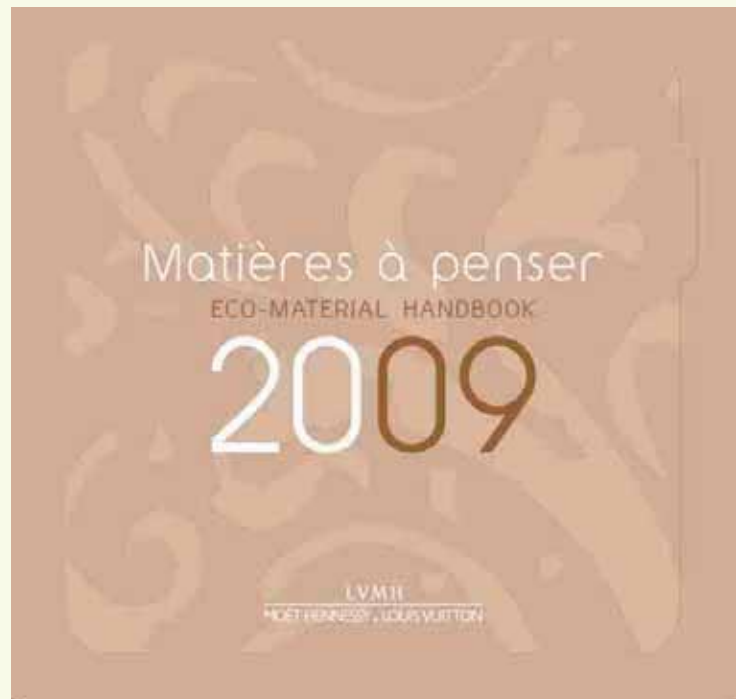
# 2006

## First HEQ building

Modern and ecological, the new Louis Vuitton logistics platform at Cergy Eole, inaugurated in 2006, was the first LVMH building to comply with the very stringent High Environmental Quality rules (HEQ). Other buildings will follow.

## Launch of the Attitude letter

Designed to make Group executives aware of the environmental stakes, the letter to the CEOs titled “Attitude” shows the best practices applied within the Group, as well as at other companies in a specific area.



# 2007

## Development of a supplier code of conduct

The logical continuation of the supplier tool, an LVMH code of conduct was developed. It specifies that the suppliers agree to comply with environmental standards and implement best practices.



## Ecopublicité: Measuring the environmental impact of advertising campaigns

A joint project conducted with ADEME, Havas and PriceWaterhouse-Coopers was initiated. For the first time, a tool was designed to measure the environmental impact of promotional campaigns. All parameters were analyzed: the impact of the visual production (photos, film shoots in France or abroad, etc.), the impact from the choice of medium (print press, television, radio, etc.), the duration of the campaign.

A NEW STEP WAS TAKEN IN THE BATTLE FOR THE ENVIRONMENT, PRESERVATION A LONGSTANDING CONCERN FOR LVMH. IN 2007, BERNARD ARNAULT MADE A DOUBLE COMMITMENT. HE RATIFIED THE MILLENNIUM OBJECTIVES OF GORDON BROWN, WHO IS CALLING ON THE WORLD'S BUSINESSES TO MOBILIZE IN DEFENSE OF THE PLANET. THE "ENVIRONMENTAL CHARTER" PROMULGATED IN 2001 ASKS ALL THE COMPANIES TO SET UP HIGH-PERFORMANCE ENVIRONMENTAL MANAGEMENT AND ASKS EACH CEO TO MAKE A COMMITMENT TO RESPECT THE CHARTER. THE "CODE OF CONDUCT" ADOPTED IN 2007 ASKS THE GROUP'S SERVICE PROVIDERS AND SUPPLIERS TO BE VIGILANT AND TO HAVE THE SAME DEMANDS FOR THE ENVIRONMENT AND SOCIAL RIGHTS AS THOSE OF THE GROUP.

THIS IMPETUS GIVEN BY THE GROUP'S MANAGEMENT, AND RELAYED THROUGH A VERY ACTIVE ENVIRONMENTAL DEPARTMENT, IS BEARING FRUIT. ISO 14001 CERTIFICATION PROCESSES HAVE BEEN CONDUCTED IN MOST OF THE COMPANIES. AFTER VEUVE CLICQUOT, HENNESSY AND KRUG, MOËT ET CHANDON WAS CERTIFIED LAST YEAR.

NEW "GREEN" BUILDINGS ARE UNDER CONSTRUCTION. ECO-DESIGN IS EXPANDING. DECISION-MAKING TOOLS HAVE BEEN DESIGNED TO MEASURE THE ENVIRONMENTAL IMPACT OF THE CHOICE OF PACKAGING OR ADVERTISING CAMPAIGNS.



Protecting the  
Environment



# LVMH and the Environnement

2007 LVMH

LIKE EVERY HUMAN ACTIVITY, THE ACTIVITIES OF THE LVMH GROUP HAVE IMPACTS ON THE ENVIRONMENT, WHICH VARY IN TYPE AND MAGNITUDE DEPENDING ON THE BUSINESS. THE FOLLOWING TABLE PRESENTS THE PRIMARY ENVIRONMENTAL CHALLENGES FOR EACH BUSINESS GROUP:

BUSINESS GROUP	PRIMARY ENVIRONMENTAL CHALLENGES (certain challenges are not directly under the control of the LVMH Group, but are controlled via the Group's suppliers)
<b>Wines and Spirits</b>	<ul style="list-style-type: none"> <li>– Water consumption (particularly for vine irrigation in Australia, New Zealand, Argentina and California) and energy consumption (distillation process).</li> <li>– Production of effluents containing organic matter (wine-making and distillation processes).</li> <li>– Production of waste products (wine making and distillation processes).</li> <li>– Protection of soils and biodiversity (vine management and protection of ecosystems).</li> <li>– Consumption of raw materials, particularly for packaging.</li> </ul>
<b>Perfumes and Cosmetics</b>	<ul style="list-style-type: none"> <li>– Water consumption.</li> <li>– Production of effluents containing organic matter.</li> <li>– Production and transformation of raw materials (packaging and components of perfumes and cosmetics).</li> <li>– Protection of biodiversity (protection of the ecosystems and natural resources, especially plant resources, necessary for production).</li> </ul>
<b>Watches and Jewelry</b>	<ul style="list-style-type: none"> <li>– Extraction and transformation of raw materials (packaging, precious stones and metals).</li> </ul>
<b>Fashion and Leather Goods</b>	<ul style="list-style-type: none"> <li>– Production and transformation of raw materials (packaging, cotton and other textiles, leather, etc.).</li> <li>– Protection of biodiversity (protection of ecosystems and natural resources necessary for production).</li> </ul>
<b>Selective Retailing</b>	<ul style="list-style-type: none"> <li>– Consumption of water and energy (lighting, air conditioning, cleaning, etc.).</li> <li>– Transportation of products shipment.</li> </ul>

The markers for improvement have, been clearly identified. They involve increasing the awareness of everyone through training.

## MOTIVATED EMPLOYEES

Everyone is responsible for protecting the environment. Convinced that simple actions generate major changes, provided they are taken by everyone, the Group is increasing the awareness of its employees, at all levels, so that they will adopt good environmental habits daily and make suggestions for possible improvements in their work.

## A DYNAMIC ENVIRONMENTAL DEPARTMENT

The environmental department, which celebrated its fifteenth anniversary in 2007, is driving the effort. Directly reporting to a member of the execu-

tive committee, an advisor to Bernard Arnault, the environmental department directs the voluntary LVMH policy. This is the department that ensures the application of the Environmental Charter, works with the associations, organizes internal audits, defines the major guidelines for action programs, and assists the companies of the Group to implement their own actions.

The Environmental Charter asks each Company to set up high-performance environmental management and for each Chief Executive to be involved. It is organized around five commitments:

- Aim for a high level of environmental performance,

- Foster a collective purpose,
- Control environmental hazards,
- Guarantee the disposal of the products
- Make a commitment outside the company.

Each Company defines its management system on the basis of the LVMH Environmental Charter and brings it to life while collaborating closely with the Group's environmental department.

Thus, the Companies bring the Charter to life, but the environmental department provides the guarantee that the actions performed by each person form a whole that is in line with the general policy of a group mobilized on the basis of a strong conviction.

## OVER 16,000 HOURS OF TRAINING

Motivating employees begins with training. A total of 16,726 hours of training were offered last year.

## The e-learning module is designed for everyone

En 2006, an Internet interactive training module was launched. It covers all the businesses of the company and proposes solutions to integrate an environmental dimension. Designed for the environmental officers in each Company, the module lets them train on their own, at their pace, and helps them provided better answers for their fellow employees. In 2007, the tool was translated into English and is addressed to all LVMH employees.

## Many other training programs

In the United States, Sephora has extended to all its stores training in environmental consideration, which deals primarily with managing waste and reducing energy consumption.

In order to complete the information provided during orientation days for new employees, Veuve Clicquot has developed new awareness media used at all the industrial sites. Six hundred booklets were distributed to the new employees, but also to outside service providers who work at the sites. Highly educational, the booklets are divided into three sections: human safety, good environmental practices, and measures to be applied in the event of an accident to guarantee safety. They give clear instructions to be used in every circumstance.

Louis Vuitton also introduced the environmental theme in its orientation days and in the welcome booklets designed for the employees. Cloudy Bay included a reminder of good practices at weekly meetings and Glenmorangie provided training in good environmental practices to the employees at the Broxburn site.



### The Moët & Chandon Oxygen project

The Oxygen project at Moët & Chandon, which was deployed throughout the first half of the year, mobilized nearly 800 employees. This was a program to increase awareness and present our approach so that each employee becomes a driving force in the sustainable development of the company. Men and women from different businesses and hierarchical levels met in groups of 15 to 20 with a pair of internal facilities in order to discuss the best measures to adopt. The first objective reached was to expand the circle of people involved and to make everyone aware that he or she is the driving force in the sustainable development of the company; that each person must know how to identify and learn the measures to take.

In addition, an abundance of new ideas and approaches to be explored were generated in the process. Some deal with everyday gestures, the "eco-gestures" that reduce the consumption of energy, water, and paper or the production of waste. Other suggestions require feasibility studies and are already included within a medium-term investment plan. Some examples of new approaches explored include: how to recover rain water from roofs and buildings and reuse it in the vineyard for phytosanitary treatments or cleaning operations. Even more innovative is the question of how to adapt the rules for the preparation and calcar stabilization of wines in order to use less energy. The ultimate objective is to transform the ideas into actions.

### PEAK MOBILIZATION PERIODS

The sustainable development week was an opportunity for the Companies to compete with ideas to encourage employees to adopt a more responsible attitude spontaneously. It was held early in April 2007.

### The holding company chooses the theme of biodiversity

A lunch conference was organized with Jacques Weber, President of the French Institute of Biodiversity and with the ethnobotanical department of Research and Development in the Perfumes and Cosmetics business group. All the Paris employees were invited. A total of about 150 people from corporate headquarters, Louis Vuitton, Sephora and even Parfums Christian Dior participated in the conference.

### Moët & Chandon expands its initiatives

The sustainable development week remained a unique moment to intensify actions to increase

awareness of the stakes and challenges of sustainable development. Convinced by Al Gore's film "An Inconvenient Truth", the company invited all its employees and grape delivery staff to two private showings of the film in Epernay. Nearly 600 people attended.

In order to encourage good habits, display campaigns were deployed at Epernay and at the various operations of the vineyard. The themes chosen were the five eco-gestures covering energy, transportation, water, paper and waste.

Other awareness measures were taken using magnificent photos by Yann Arthus Bertrand warning about the dangers threatening the planet, presented in background images. They targeted nearly 500 people.

On a lighter note, a special sustainable development quiz was sent to all employees. They were invited to respond and, in a new twist, in teams of four people. The three winning groups were invited to a fair trade and ecological lunch prepared by one of the Moët & Chandon chefs.

In addition, for the entire sustainable development week, employees had access to a panorama of sustainable development press, in addition to the "daily press review".

In partnership with Sodexho, the reference service provider for the corporate restaurant, a special sustainable development item was part of the daily offerings. Receipts were cooked, using products in season or purchased from local producers, including biological and fair trade products. Meals that were both good at prices that remained within the range of traditional products.

The visitors to the Champagne House were not forgotten. The guides included explanations on Moët & Chandon's involvement in their presentations.

Other Companies also mobilized for the event. Parfums Givenchy organized a display campaign at Beauvais and Vervins to inform the employees about the challenges and achievements of sustainable development. This initiative was followed by an entertaining and fun game competition designed to involve all employees while testing their knowledge.

### High points for Louis Vuitton

Louis Vuitton used the opportunity presented by sustainable development week to reaffirm its commitment to the environment. Each day of sustainable development week, the 13,000 employees received an email reminding them of green gestures to be performed: turn off lights, lower the air conditioning and more. It was also an opportunity to inform them about twelve environmental themes: water, waste, energy, travel, etc.

Heavily involved in this effort, the leather goods House took advantage of other events to act. European Mobility Week was an opportunity to

make everyone aware of the CO<sub>2</sub> emissions they generate depending on the method of transportation they use, to go to work or on vacation. The Company sent a brochure titled "Bougez autrement" ("Move differently") to its 5000 French employees. A kind of practical guide, it tallies CO<sub>2</sub> emissions based on various transportation methods: subway, bus, car, bike, train or tramway, and calculates possible reductions in the impact by changing our habits, by using car pools, for example. At some sites, the occupancy rate for cars is 3.6.

In November, all the shops and sites of the leather goods brand were mobilized for the waste reduction week. A mini-exhibit and quiz initiated employees in ways to reduce waste by making better purchases, by sorting, etc.

### Veuve Clicquot mobilized to sort

Veuve Clicquot focused its efforts on waste reduction week. Waste sorting, a particularly sensitive issue, had already been integrated into the environmental indicators of the champagne brand for over a year. Accordingly, the week was an opportunity to remind the employees, through the Intranet (which prevents excessive paper consumption) of the correct actions to adopt for sorting. And for the employees without computers, these recommendations were posted in the workshops. In line with these instruments, the garbage cans and waste baskets were replaced, with very visible color markings to make it easy to sort.

### A THIRD TREND BOOK

For the third consecutive year, a trend book was sent to all the Brands. It informed them about eco-design and encouraged them to give priority to environmental quality materials. Last year, the emphasis was placed on everything used to equip stores and selling spaces: furnishings, floor coverings, windows, etc.

All the materials and processes presented in the three editions of the trend book are also combined and available in the environmental department's materials library. It is accessible via the Group's environmental Intranet.

### THE ATTITUDE LETTER TO RAISE AWARENESS AMONG EXECUTIVES

Achieving results requires the mobilization of everyone, starting with the Chief Executives of the Companies and the members of the executive committees. To raise their awareness, the Environmental Department sent them the second edition of the Attitude Letter on the theme of green buildings. The letter showed, using examples of different Group sites, that it is possible to design the most beautiful buildings, to build high-performance plants while minimizing the environmental dangers of their construction and operation.

## INCENTIVES TIED TO ENVIRONMENTAL PERFORMANCE

To encourage the employees to make efforts and achieve results, an innovative system was established in 2006 in two of the Group's champagne Companies—Moët & Chandon and Veuve Clicquot. Environmental criteria, which can represent up to 15% of the total bonus amount, were included in the latest enterprise agreements signed in June 2006 for a period of three years.

Moët & Chandon's objective for 2007 is to maintain or reduce electricity consumption. A customized indicator has been developed, based on electricity consumption, which takes into account all the activities, from grape production to the final product, and including all stages—pressing, assembly, wine-making, racking, corking and packaging. A unit of measurement has been established, the kWh for 1,000 bottles equivalent. The target set for 2007 was not to exceed 42 kWh / 1,000 BE. The target was reached! 2007 was also a turning point, when the company reversed the trend toward higher electrical consumption.

At Veuve Clicquot, three criteria were taken into consideration: water and energy consumption and the quality of selective sorting. The first results were positive, because they demonstrated a strong commitment by the company and very high acceptances of the system by all operators. However, it is very difficult to set objectives because, in these businesses, results depend on the efforts of everyone, but also on the uncertainties of nature. For example, the heat needed for the fermenting rooms will differ depending on whether there is an early or late harvest.

## ENVIRONMENTAL REPORTING: A CHANGE IN THE SCOPE OF COVERAGE AND REFINED DATA

The reporting of environmental indicators, which was established in 1999 in a few companies, covered the following areas in 2007

- the production sites and warehouses held and/or operated by the companies in which the Group holds more than 50% or in which it exercises operational control,
- the French stores of Sephora, Céline, Guerlain and Louis Vuitton, Le Bon Marché, and the main stores of DFS and Fendi,
- the principal administrative sites located in France.

The system used for environmental reporting is an in-house excel-VBA-type tool. Two files are sent in the fall to each of the Group's Companies:

- one file compiling corporate data: training, packaging, audits, etc.
- one file compiling data specific to the industrial sites: water and energy consumption, waste production (quantity and types of waste), waste treatment, etc.

A total of more than fifty pieces of information are collected in each Company. The data is then automatically compiled in a central file. This file has a number of control and alert tools (aberrant data, unit problems, etc.). It is also audited every year by the Group's Auditors.

In 2007, reporting covered 415 sites (412 sites in 2006); 23 sites were excluded this year. The change in the scope of coverage from 2006 includes the integration of Guerlain's French stores, a Louis Vuitton work shop, a new Moët-Hennessy administrative site, a new Céline site, and the sale of Omas, of certain Laflachère sites, and of the KAMI logistics platform.

The 2007 reporting does not include:

- the environmental impact of the administrative buildings and the stores operated directly or under a franchise by the Perfumes and Cosmetics and Fashion and Leather goods business groups, with the exception of the brands indicated above,
- the vehicle fleets owned by the Group and used for employee transportation,
- the energy consumption related to merchandise transportation performed exclusively by outside service providers;
- the companies in which the Group holds less than 50% or in which the Group does not exercise operational control;
- a number of boutiques representing 61% of the selling floor areas;
- a number of sites that generally do not represent production sites (Pucci, Make Up Forever, Berluti, Donna Karan, Wen Jun Distillery).

In comparison to the scope of financial reporting, environmental reporting in 2007 covered:

- 91%, in number, of the production sites, warehouses and administrative sites of the Group;
- 39% of the total sales area of the Group.

The objective is to cover all this area in time.

Since fiscal year 2002, the Group's annual environmental reporting has been verified by the Environment and Sustainable Development Department of Ernst & Young, the Group's Auditor.

Pursuant to Decree 2002-221 of February 20, 2002, the New Economic Regulations (NRE Decree), the following paragraphs indicate the nature and magnitude of only relevant and significant impacts from the business. The information presented in this document also reflects the guidelines of the Global Reporting Initiative version 3.0

## The GRI information and environmental indicators presented in this report are as follows:

### Strategy:

1.1 p. 9 - 1.2 p. 9.

### Profile of the Organization:

2.1 p. 9 - 2.2 p. 9 - 2.9 p. 11.

### Reporting Parameters:

3.1 p. 11 - 3.2 p. 11 - 3.3 p. 11

3.4 p. 11 - 3.5 p. 11 - 3.6 p. 11

3.7 p. 11 - 3.11 p. 11 - 3.12 p. 11.

### Governance and Commitments:

4.12 p. 9 - 4.13 p. 25.

### Management and Indicators:

EN1 p. 23 - EN3 p. 13 - EN4 p. 13

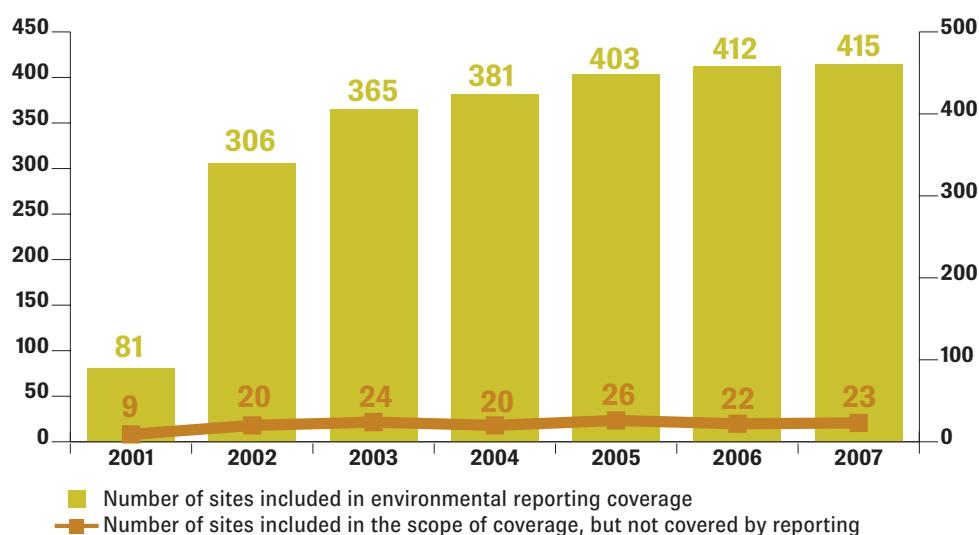
EN7 p. 13 - EN8 p. 13 - EN13 p. 17

EN14 p. 17 - EN17 p. 14 - EN 18 p.16

EN21 p. 19 - EN22 p. 19 - EN 26 p.22 and 23

EN29 p. 15 - EN30 p. 21.

## Change in scope of environmental report in number of sites☑





# Tangible Results

THE MOBILIZATION OF EVERY MEMBER OF THE GROUP IS GENERATING RESULTS. IN LINE WITH THE "ENVIRONMENTAL CHARTER" SIGNED BY BERNARD ARNAULT, ENVIRONMENTAL MANAGEMENT HAS BEEN ESTABLISHED IN ALL THE COMPANIES. THE DRIVING FORCE BEGINS AT THE HEADQUARTERS. THE LVMH ENVIRONMENTAL DEPARTMENT DEFINES OBJECTIVES, RULES AND PROCEDURES TO BE FOLLOWED TO MEET THE REQUIREMENTS OF THE CHARTER AND IMPROVE PERFORMANCE EVERY YEAR. IN 2007, NEW TANGIBLE RESULTS WERE OBTAINED IN FRANCE AND INTERNATIONALLY, IN THE WORKSHOPS, PLANTS AND STORES. THERE ARE NOW MORE ISO 14001 CERTIFIED SITES. AFTER EOLE, THE NEW LOUIS VUITTON WAREHOUSE IN CERGY, OTHER "GREEN" BUILDINGS WILL BE BUILT, PARTICULARLY THE FUTURE LOUIS VUITTON FOUNDATION FOR DESIGN. CARBON FOOTPRINTS HAVE BEEN SYSTEMATIZED IN ALL THE MAJOR GROUP COMPANIES AND INTEGRATED WINE GROWING IS BEING EXPANDED.

## ENVIRONMENTAL MANAGEMENT

### ISO 14001 CERTIFICATION A TOP PRIORITY

It was a first. Hennessy's ISO 14001 certification, earned in 1998, was renewed for the third time in 2007. The certifications earned by Veuve Clicquot and Krug a few years later in 2004, were also renewed. In these companies, certification transformed periodic measures into a general, planned and permanent approach involving all employees. Objectives were defined, action plans established, internal audits (6 new internal auditors trained) and external audits to control the relevance and effectiveness of the environmental management were scheduled, and "green actions" are becoming second nature for the employees in the vineyards and in the offices. It is proof that the effort made will continue.



### Moët & Chandon certified ISO14001 in 2007

In July 2007, Moët & Chandon obtained ISO14001 certification by the SGS-ICS company (an independent certification organization). The conclusions of the certification audit, which took place from June 13-15, 2007 were favorable to immediate certification of Moët & Chandon. This stage is important, because it took place within the deadline set by the company to obtain certification, and because it made Moët & Chandon's commitment to protect the environment official. It was the culmination of a voluntary, ambitious, cooperative and long-term effort: the effort of a corporate citizen.

The scope of the certification includes the entire Moët & Chandon company and the Ruinart (Reims) site. The operations included were wine growing, wine making and the marketing of the brands Dom Pérignon, Moët & Chandon, Mercier and Ruinart.

This was, however, is only one step which marks the determination of Moët & Chandon to continue to improve, particularly in integrated grape growing, the control of effluents and waste, and the reduction of water and energy consumption.

### Belvedere follows the trend

The great cognac and champagne companies have initiated certification. The manufacturing plant for the Polish Belvedere vodka followed. The Polmos

Zyrardow distillery was certified ISO 14001 and OHSAS 18001, a standard for health and workplace safety management.

In order to obtain these certifications, over 1000 hours of training and awareness were offered over 2007. As part of its action plan, the site installed a new, more efficient boiler, reducing atmospheric emissions to the maximum possible. A closed cooling circuit was installed on the distillation unit to very substantially reduce water consumption; 8000 m<sup>3</sup> were saved in 2007. Now, the site recycles over 80% of its waste, primarily through recycling wood waste products.

### Other initiative underway

At Louis Vuitton, the Cergy 1 warehouse was also certified in 2007. As part of its improvement, Louis Vuitton installed ball presses to reduce cardboard waste, renovated the fire system and eliminated the air cooling tower.

Eole, Cergy 3, the new international logistics platform of the leather goods company and its corporate offices in rue du Pont Neuf in Paris are both going through the process of certification. In order to obtain certification, each employee is trained in the importance of savings water and energy and sorting waste. Training is provided to new employees. At the corporate offices, in the prototype shop, studies are currently in progress to ensure the recovery of leather and textile cuts.

Other ISO 14001 processes have been initiated, particularly at Domaine Chandon in Australia.



## ENERGY CONSUMPTION

In 2007, the companies included in the scope of reporting consumed 484,152 MWh, divided among the following sources: 52% electricity, 24% natural gas, 13% heavy fuel oil, 6% steam, 3% diesel, and 2% butane-propane. Between 2007 and 2006, energy consumption in absolute value declined 2%. This consumption was generated, in descending order by the following business groups: Wines and Spirits (44%), Selective Retailing (25%), Perfumes and Cosmetics (15%), and Fashion and Leather Goods (13%). The remaining 3% was generated by Watches and Jewelry and the administrative activity of the holding company. The significant increase between 2006 and 2005 (+35%) is essentially related to a change in the reporting coverage (inclusion of Glenmorangie and DFS stores). The values indicated represent the sum of the primary energy sources used internally (i.e., the combustion of which takes place on Group sites: diesel, butane, propane, natural gas) and secondary external sources (transformed energies generated by combustion performed off-site).

As a comparison, for the industrial sector in France, electricity consumption was 125,000,000 MWh (MINEFI data, 2006) and natural gas consumption was 154,000,000 MWh (MINEFI data, 2006).

The first carbon footprints were established at Hennessy, Parfums Christian Dior, Veuve Clicquot and Louis Vuitton. They were completed with energy diagnoses, which identified priority action measures to be taken to reduce energy consumption. The technique has now been systematized in all major companies of the Group. Progress is made every year.

### The Hennessy energy diagnostic

At Hennessy, an energy diagnostic completed at the end of 2006 led to concrete measures in 2007. The heating temperature at the sites was regulated based on the time of day and the weekend and on frequency of use, which should save 1800 MWh/year. The lighting intensity was reviewed in areas with little traffic. The thermal properties of the walls were improved with the installation of an insulating material in the attic, representing a gain at the end of the program of 260 MWh.an. In a distillery, the hot cooling water from the distillates is recovered to heat the offices. New temperature standards for processing cognac were set after performance tests: the possibility of a gain of 2°C. It also included the replacement of small compressed air equipment by a single facility with a superior energy performance. At the same time, the EDF electric contracts were optimized.

### The Veuve Clicquot lighting diagnostic

Veuve Clicquot focused on lighting by conducting diagnostics, for the first time, with the assistance of the specialty firm Opus Light, at three sites: Crayères in Reims, the corporate offices in rue du Temple in Reims, and the Krug site.

The objective was to improve or at least maintain the quality of the lighting while reducing electrical use by 30%. A five-year action plan was adopted for Crayères and the offices in rue du Temple. On the other hand, the Krug performance was such that it was not necessary to intervene.

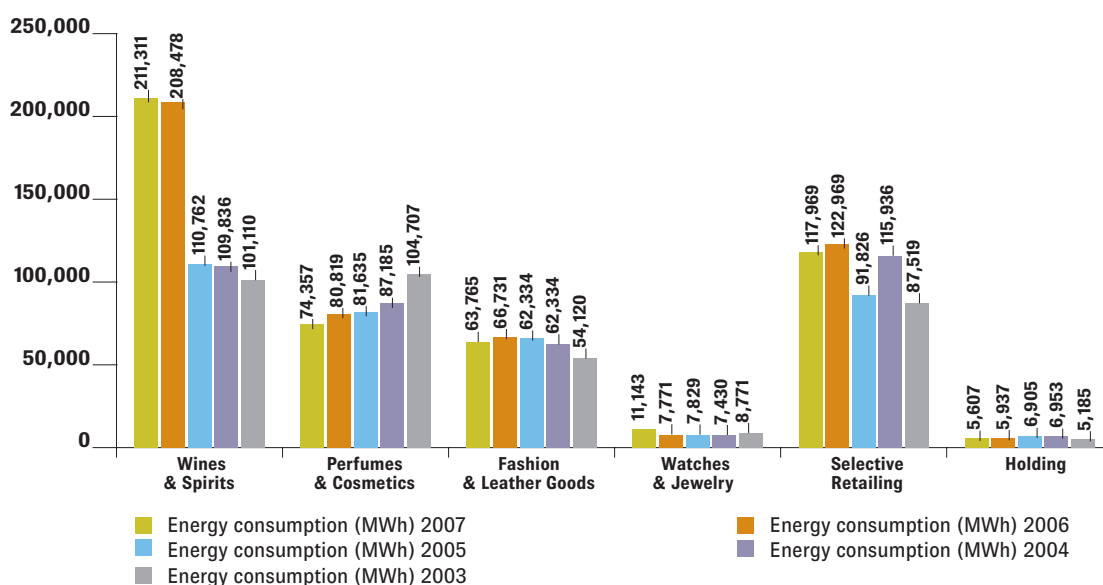
The lighting will be modulated on the basis of location: production lines, offices, or reception areas. Different measures were taken, ranging from changing transformers or bulbs to the installation of

motion detectors at strategic locations. These measures imply a total investment of 120,000 euros over five years, i.e., 25,000 euros a year. In 2012, electrical consumption will be reduced by 30%, which implies substantial savings. The sites will then be able to obtain the Green Light label.

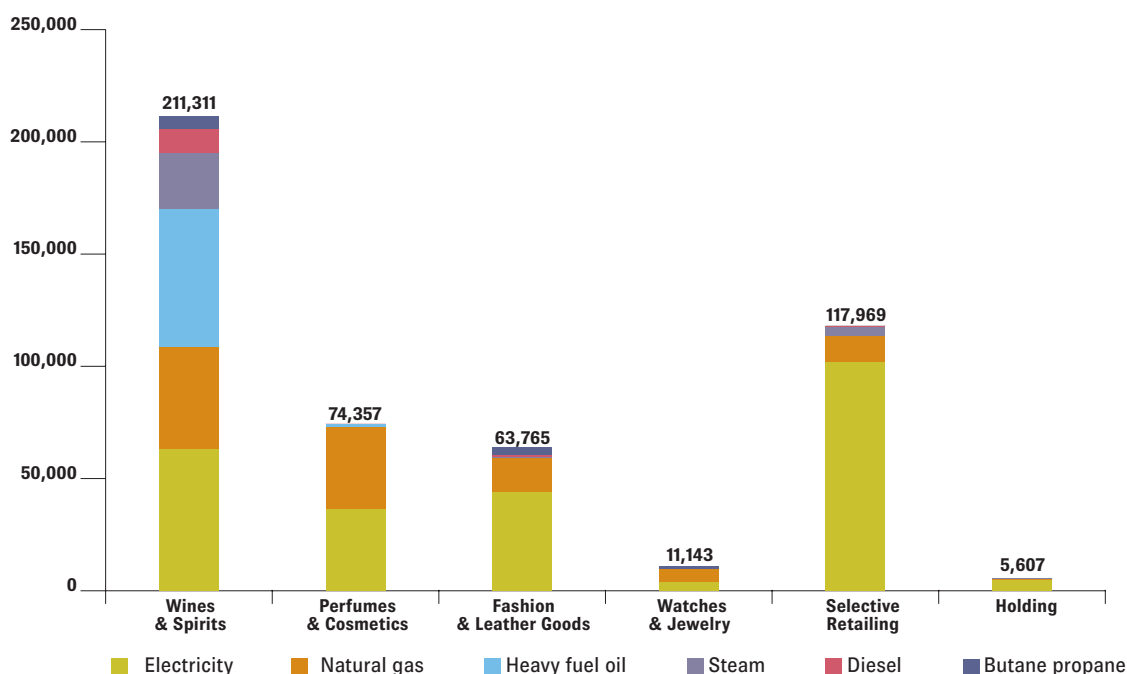
Certainly, lighting represents only 11% to 15% of the company's total electrical consumption, as most of the consumption is by the production lines in the manufacturing process. But Veuve Clicquot also decided to act where the results can be rapidly tangible.

Parfums Givenchy installed a steam boiler Beauvais which produces all of the site's sanitary hot water and reduces energy consumption by 8%, which is about 300 MWh every year. In addition, electronic meters take very precise daily readings of consumption and detect any abnormal change.

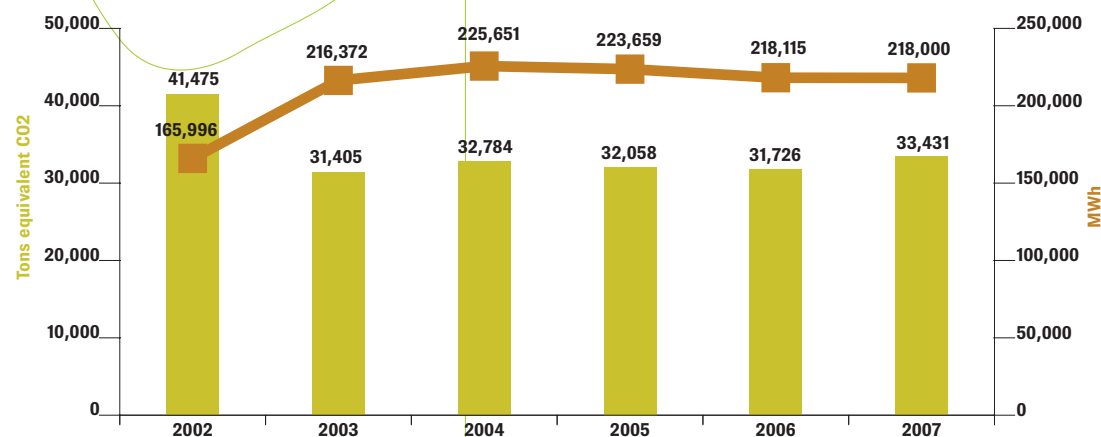
### Change in Energy consumption (in MWh)



### Energy consumption by sector and by source in 2007 (in MWh)

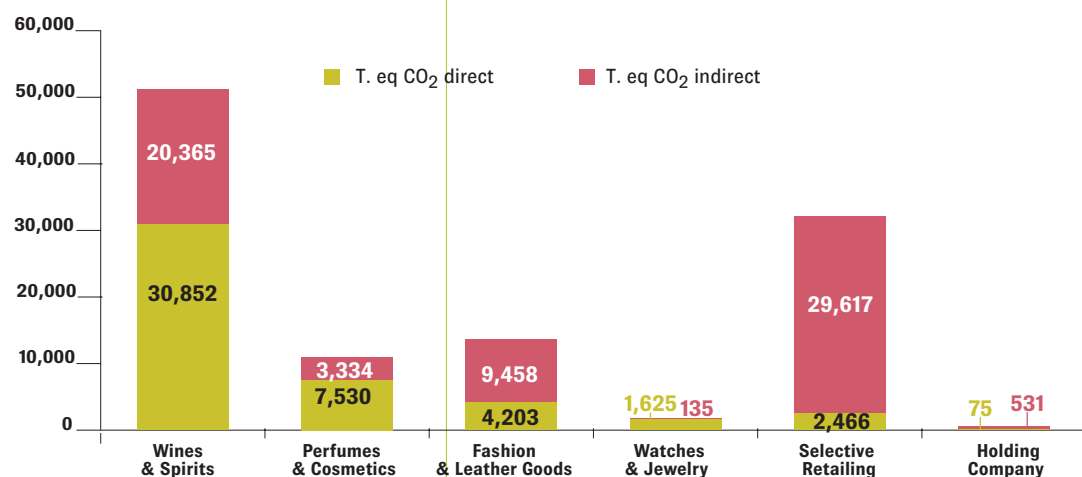


### Change in energy consumption (MWh) and greenhouse gas emissions (t. eq CO<sub>2</sub>) at the sites in the LVMH 2\* panel

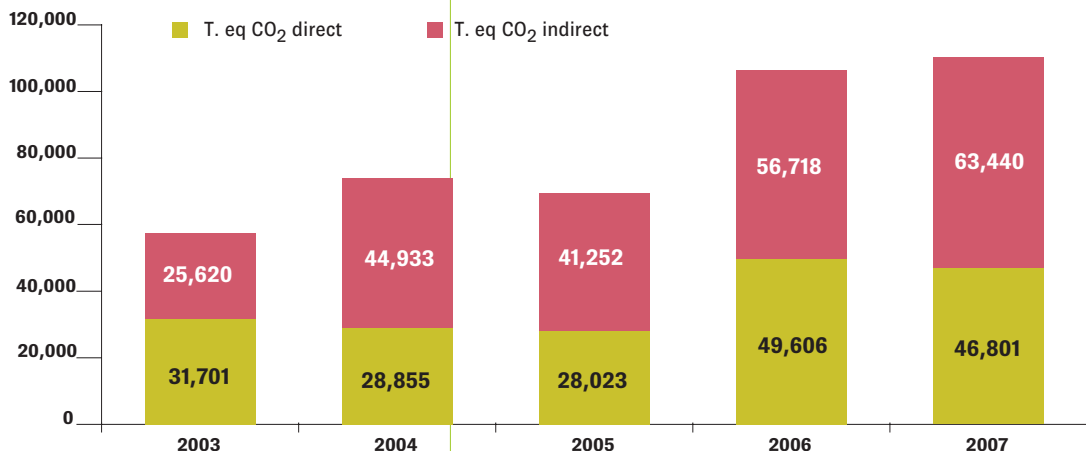


\*Rate of coverage vs 2007 environmental coverage on this indicator : 45% of consumption in MWh and 30% of greenhouse gas emissions .

### Greenhouse gas emissions by Sector in 2007, in Tons Equivalent CO<sub>2</sub> ✓



### Change in greenhouse gases, in Tons Equivalent CO<sub>2</sub>



The significant increase in 2006 is related to the inclusion of Glenmorangie and DFS stores in the scope of the reporting. The whisky manufacturing process is a continuous process that includes an energy consuming distillation step. This energy consumption generates CO<sub>2</sub> emissions.

### ATMOSPHERIC EMISSIONS

The only significant atmospheric emissions for the Group's activities are greenhouse gases. These emissions primarily come from energy consumption at the sites and from transport. The emissions generated are estimated in tons of equivalent CO<sub>2</sub> (carbon dioxide) and include the direct emissions (energy production on site) and the indirect emissions (from the production of electricity used by the sites).

Greenhouse gas emissions rose 4% in 2006 (110,241 tons of equivalent CO<sub>2</sub> in 2007 compared to 106,324 tons of equivalent CO<sub>2</sub> in 2006).

The DFS boutiques (Selective Retailing) make a substantial contribution to electricity consumption, but even more to the greenhouse gas emissions. The reason is their geographic location: the boutiques are located in countries (Australia, China and New Zealand in particular) where the CO<sub>2</sub> emissions are proportionally higher, with equal electricity use, than in France.





Transport is also an activity that emits CO<sub>2</sub>, the principal greenhouse gas. Although not directly performed by Group companies, it has also been the target of specific measures. It is important to note that ships are a method of transport that emits 85 times fewer greenhouse gases than an airplane. Currently, this is the principal vector for improvement. The Group has begun work to provide detailed reporting on transport:

- upstream transport: shipping of components from supplier sites to the Group's manufacturing sites. In the first phase, only the principal components were included (bottles, leather, glassware, etc.).
- downstream transport: the transport of finished products from the manufacturing sites to the distribution hubs.

Results are already available on the main Brands of the Group. This reporting will be expanded in the coming years.

Hennessy continues to give priority to shipping its finished products by sea: 88% in kilometer tons of the Hennessy products were shipped by sea, 9% by road and 2% by rail. In Champagne, a logistics platform shared by all the Companies optimizes the shipping phase and systematizes to the extent possible the use of shipping (more than 80% in tons/km).



### CO<sub>2</sub> emissions in Tons (suppliers transport)

UPSTREAM TRANSPORT		Wines & Spirits	Perfumes & Cosmetics	Fashion & Leather Goods	Watches & Jewelry
CO <sub>2</sub> emissions in tons	Road	2,943	7,108	—	7
	Rail	0	0	—	0
	Airplane	1,918	38,999	—	1,644
	Boat	499	358	—	0
	<b>Total</b>	<b>5,360</b>	<b>46,465</b>	<b>—</b>	<b>1,651</b>

### CO<sub>2</sub> emissions in Tons (downstream transport of products)

UPSTREAM TRANSPORT		Wines & Spirits	Perfumes & Cosmetics	Fashion & Leather Goods	Watches & Jewelry
CO <sub>2</sub> emissions in tons	Road	26,940	443	1,882	4
	Rail	416	0	0	0
	Airplane	72,511	56,390	44,727	3,419
	Boat	40,025	335	1,094	41
	<b>Total</b>	<b>139,892</b>	<b>57,168</b>	<b>47,703</b>	<b>3,464</b>

### Group business vehicles

In 2007, the corporate vehicles of all Group Companies consumed 2,525,355 liters (2,088,098 liters of diesel and 437,257 liters of unleaded super gasoline). This represents emissions of 6,818 tons of CO<sub>2</sub>.

## Carbon Footprint®--generating progress

The first Carbon Footprints® were established at Hennessy, Parfums Christian Dior, Veuve Clicquot and Louis Vuitton. Other Carbon Footprints® are currently being established at Parfums Christian Dior (renewal), Guerlain, Kenzo Parfums and Glenmorangie. Moët et Chandon completed its analysis in 2007, Louis Vuitton repeated its first footprint, which dated from 2004, in 2007. This process led to multiple initiatives at each company.

As a result, Moët & Chandon renovated the entire lighting system in the labeling shops at the Mercier site, which allowed the Company to cut electricity consumption by 50%. In the vineyard, Moët et Chandon experimented with a new method of recycling the vine trunks after clearing: composting and energy production. The experiments conducted in partnership with the group SEDE Environnement (a subsidiary of Veolia Environnement) should allow recovery of 200 to 400 tons of wood annually and 500 to 1,000 MWh of energy.

In Beauvais, Parfums Givenchy installed equipment to monitor energy consumption very closely. Remote-read meters provide daily tracking of the principal consumption at the site and detect the slightest anomaly. In the same way, a remote read gas meter ensures that the boilers are operating correctly. At Louis Vuitton, the first Carbon Footprint® showed that supplying the stores worldwide was the principal source of greenhouse gas emissions. The leather goods company therefore decided to attack merchandise transport as the priority, gradually replacing airplanes with ships, which emit 85 times fewer greenhouse gases, to ship its production to the approximately 500 stores worldwide. Extremely encouraging results have been obtained in different areas. One example of the progress made is the program dedicated to reducing packaging, which generated a 40% reduction in packaging-related emissions, which is more than 1,000 tons of equivalent CO<sub>2</sub> a year.

In 2007, efforts focused on the workshops and production sites. The air conditioning systems were improved at Asnières, Issoudun, Ducey and Sainte Florence. The windows and glass at Asnières and Ducey were insulated. Inspections by maintenance agents were increased to ensure better detection of water leaks or breakdowns. Technical management systems in the buildings were established in order to program lighting and air conditioning more precisely, based on needs.

## INTEGRATION OF THE ENVIRONMENT IN CONSTRUCTION

The consideration of the environment in the design and management of buildings is a major lever for improvement in order to minimize the impacts of the building throughout its life cycle. The Group's new buildings and current renovations are systematically integrating these parameters. After the



The future Hélios Center

startup of operations in April, the Louis Vuitton Eole Cergy 3 site was the first to earn the very elite designation of high environmental quality (HEQ). This designation implies construction with the goal of protecting the environment, respecting a number of rules with the objective of reducing energy consumption, limiting nuisances for residents, and improving the quality of the buildings. Designed for the tertiary sector, this designation had never before been awarded to a warehouse.

## Eole—fifteen ponds purifying waste water

Cergy 3 is a central warehouse, 21,000 m<sup>2</sup>, designed to centralize products distributed worldwide. It was built to address the growth of Louis Vuitton, which has more than doubled its product items in the last five years. Making a warehouse beautiful was a challenge—to limit the environmental impact by opting for High Environmental Quality the ambition! Under the direction of Yves Carcelle and the highly motivated managers of the Company, nine priority targets were selected in order to obtain a new “very high performance” on four targets and “high-performance” on five (these targets were described in the 2006 environmental report). This process resulted in innovations that respected the environment, saved energy, and improved the comfort of the fifty people who work there. To blend with the landscape at the entrance to the city of Cergy Pontoise, the building was divided into three parts. As a result, it gives a more harmonious impression. The checkerboard pattern, a reminder of one of the brand's emblematic patterns is featured! The façades represent it in white and off-white. Multicolored windows are lit at night to create a pleasant nocturnal ambiance. There is maximum luminosity. Glass bays overlooking the docks inside the warehouse allow working with outside visibility and unusual internal lighting for this type of building. At the top of the sheds (vertical window panels) directed north diffuse constant light, which is not blinding, and precise sensors on the floor measure and regulate the luminosity.

The materials were chosen to be the least polluting possible: paints without solvents and wood framing. The offices are heated using geothermy. A system of pipes is installed more than three meters under the floor to circulate water. The differences in temperature, amplified by a heating pump, heat in the winter and cool in the summer.

Another innovation is that Eole is not connected at all to the sewer system. Recovered rain water and waste water cross fifteen ponds surrounding the logistics platform. The water is purified by plants and returned to the water tables at the end of the circuit.

## Hélios, “double-skin” glass façades

Based on this experiment, the Parfums Christian Dior research center which will open in Saint Jean de Braye in 2009 will take the same approach. Called Hélios, the name of the sun god, the project is leading-edge. Located at the edge of a forest on a 55 hectare site in the Loiret, Hélios will house 220 researches who will be working on plants, the new biological targets and on the polymers used in the composition of new perfumes, make-up and skincare products introduced every year. Four major concerns guide the plans: having the best light, saving energy, and ensuring maximum safety for the researchers.

At the center of the triangular building, a light well will illuminate the rooms underground, a central patio and Japanese interior gardens. The walls will be “double-skin” glass façades, with double glazing, inside and outside, enclosing a glass strip designed to act as a thermal screen. The roof will let light in. Without sheet metal or tile, it will be of small texlon pads, which inflate and deflate depending on the intensity of the outside light in order to allow it to pass through or screen out the light if necessary.

To save energy, the toilets will use recovered rainwater. Heating will be geothermal. A heat pump will drop 50 meters below ground to recover thermal units and transform them into heat. To go even further two projects are being studied. The first is studying the way to use solar energy not only to heat but also to air condition in the summer. The second project, developed in partnership with the National Forestry Office, is designed to install a boiler fed with wood granules.

Waste sorting will be an innovation. The challenge is particularly daunting because none of the products manufactured in the center can be sold; everything must be destroyed. Waste will fall into a tank, then will be incinerated instead of stored in containers, which is currently the case.

With respect to safety, decontamination airlocks will isolate the offices located in the center from the laboratories placed on the periphery.



And visitors will be able to walk in corridors with windowed bays that offer them a view of everything that is happening in the center. In a second phase, they will have earphones, as in museums, which give them explanations in several languages.

The cost of the work for Eole and for Helios should be 10% to 15% higher than the cost of traditional projects, but energy savings generated should allow a return on the investment in less than five years.

### Louis Vuitton, Moët & Chandon and Veuve Clicquot make a commitment

Several Companies are engaged in HEQ processes: Vuitton in its boot workshops in Marsaz in southern France and Fiesso in Italy, Moët & Chandon for its new pressing center in Maily. The project focuses on four priority targets: perfect integration of the site in its environment, the use of ecological materials, the reduction of energy consumption by adapting the lighting to the ambient light and, in particular, good management of waste water.



Hotel du Marc

While it is very difficult to conduct an HEQ process while building a new building, it is more difficult to apply the process in renovation projects. But this is exactly what Louis Vuitton is doing to renovate the fourth floor of its headquarters in rue du Pont Neuf, and Veuve Clicquot is doing to restore Hôtel du Marc, the historic residence in the center of Reims, once owned by the Widow Ponsardin, the founder of the Company. Their goal is not to obtain the designation, but to conduct the most exemplary project possible.

### BIODIVERSITY

The preservation of biodiversity is a major priority for the companies of the Perfumes and Cosmetics and Wines and Spirits business groups. The natural heritage is vital for operations to run smoothly. This is why various actions are being taken to protect it, such as the development of integrated vineyard practices in the Wines and Spirits Companies or the implementation of privileged partnerships to raise certain plants in the Perfumes and Cosmetics Companies.

### Grass planting to reduce the use of herbicides

In 2001, Champagne truly began to deploy integrated wine-growing procedures. This means working the vine better, whether by using vegetal invasions or by adapting the spray equipment to reduce the quantity of pesticides used. At Veuve Clicquot, five priority objectives have been defined:

- Preservation of water quality.
- Limitation of phytosanitary treatments.
- Effluent management to ensure better safety for users and limit soil pollution.
- Employee training.
- Advice for grape delivery personnel.

In order to obtain results, vegetal invasion, i.e., planting grass between the vines, is a key element because it limits run-off water and, therefore, controls pollution risks.

A technical itinerary has been set to adapt measures to the soil mapping. Every year advances are recorded. In 2005, 80 hectares, i.e., 22% of the vineyard area was seeded with, then 160 hectares (44%) in 2006 and 200 hectares (55%) in 2007. The objective is to reach 260 seeded hectares or 68% of the vineyard in 2008.

In an additional initiative, Veuve Clicquot is encouraging possible alternatives to chemical treatments. For example, an experiment was tried in 1998 to eliminate caterpillars by spreading "sexual pheromones" in the vine, i.e., capsules emitting the odor of the sexual hormones of female caterpillars. Perturbed, the male caterpillars can no longer mate and are disappearing. Last year, 78% of the Veuve Clicquot vineyard was treated, compared to 20% for all Champagne vineyards. Veuve Clicquot has also purchased new equipment to allow collection and optimal treatment of sanitary effluents.

Moët & Chandon reduced its use of herbicides by 27% between 2005 and 2007. The measures taken include precision weed control, with tractors equipped with cameras to detect the actual presence of weeds so that the herbicides can be applied locally as needed. In 2007, 9 new tractors were equipped, with a total fleet of 27.

Estate & Wines – Cape Mentelle and Domaine Chandon Australia – are focusing on biological growing methods. Cape Mentelle has converted a portion of its vineyard to biological agriculture. Several measures are being implemented:

- elimination of the use of most pesticides in favor of the use of natural and beneficial parasites (insects, bacteria, etc.) which, because of their predatory action, will reduce or eliminate the need for treatment by spraying pesticides;
- planting trees to reduce soil erosion;
- placement of owl nests (a natural predator of undesirable insects); every year there is an average of 8 new owls per nest;
- development of controlled natural grasses.

### Maintain and restore biodiversity

Domaine Chandon Australia continues to restore the flora in the swampy zone of the Yarra River which borders the domain by planting rare species of Juncus and Melaleuca, with over 30,000 plants already. The restored habitat directly contributes to the protection of endangered species like the Growling Grass Frog (*Litoria raniformis*) or the White Bellied Sea Eagle (*Haliaeetus leucogaster*). This project is being conducted in partnership with the local authorities.

For several years, LVMH has also been focusing on partnerships with local residents or authorities to establish and develop crops while maintaining biodiversity. As a result, ethnobotanical networks have been established in different countries, including Madagascar, Burkina Faso, Vietnam or China. Teams are working on a variety of plants. They withdraw the extracts which they test to ensure that they are both effective and well tolerated by the skin. At the same time, LVMH is organizing mini-symposiums to increase the awareness of the local residents of the good practices and virtues of ethnobotanical crops.

Last year, the continued success of the anti-aging cream Capture Totale from Dior enhanced the measures taken in favor of biodiversity. To assist the local populations, a premium is paid for each kilo of logonza harvested; this is a Madagascar plant used in the formulation of the cream. In Vietnam, the LVMH research center participates in the development of the Cat-Tien natural reserve via the IDVP (Vietnam Pacific Development Institute). Several meetings were held in 2007 between professors from Vietnam, French researchers and the Group's environmental department to share the best practices of each group.



The Yarra River



## WATER CONSUMPTION

Water consumption by the LVMH Companies is determined by two distinct uses:

- **Process needs:** various cleaning operations (tanks, products, equipment, soil), air conditioning, use by employees, product manufacture, etc. The water consumed in these ways generates waste water.

- **Agricultural needs:** irrigation of vines outside France (vine irrigation is not practiced in France). The water is taken directly from the natural environment. Use from one year to the next is closely related to weather conditions. The use of water for irrigating vines is necessary for the survival of the vineyards in California, Argentina, Australia and New Zealand. It should be noted that water consumption for agricultural needs is evaluated by the sites with greater uncertainty than water consumption for process needs.

This practice, which is closely monitored by local authorities, which issue permits for taking water, is the target of many measures to limit it:

- **Recovery of rain water** (Domaine Chandon California, Domaine Chandon Australia, Bodegas Chandon Argentina), reuse of the retreated waste water (Domaine Chandon Carneros, California), recovery of runoff water in artificial lakes (Newton).

- **Implementation of measurement protocols** and specification of water needs: analysis of soil humidity, leaves, visual inspection of the vines and adaptation of the supply based on the needs of each parcel (Domaine Chandon Australia).

- **General use of drip irrigation (when it is used)** (between 73 and 100% of the irrigated vineyard surface covered by this practice).

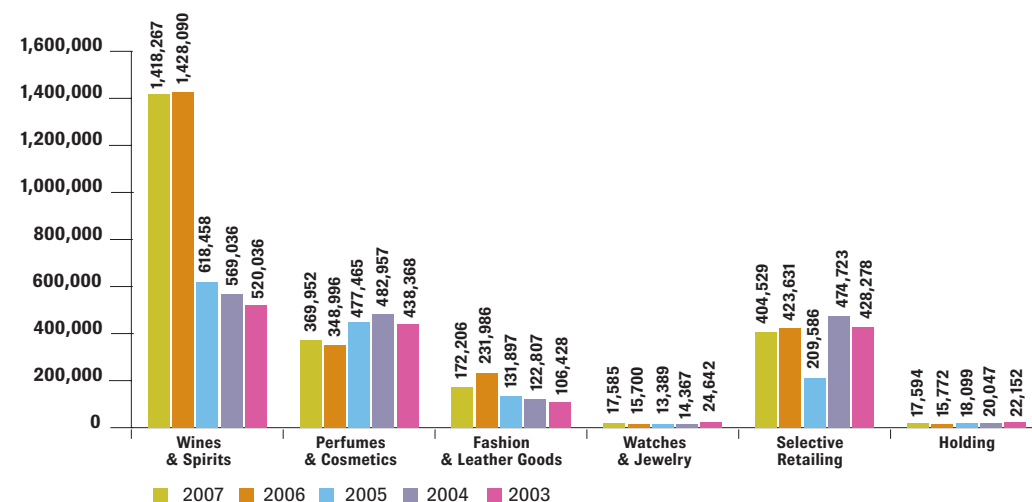
- **Weather monitoring for** optimized adaptation of the irrigation (weather stations in place at Chandon California).

- **Periodic inspections of the irrigation systems** to prevent the risk of leaks.

- **Practice of "reduced deficit irrigation"**, the size of the grape concentrates aromas and color). In 2007, these companies used 6,870,975 m<sup>3</sup> of water to irrigate vines (6,870,975 m<sup>3</sup> in 2006). The

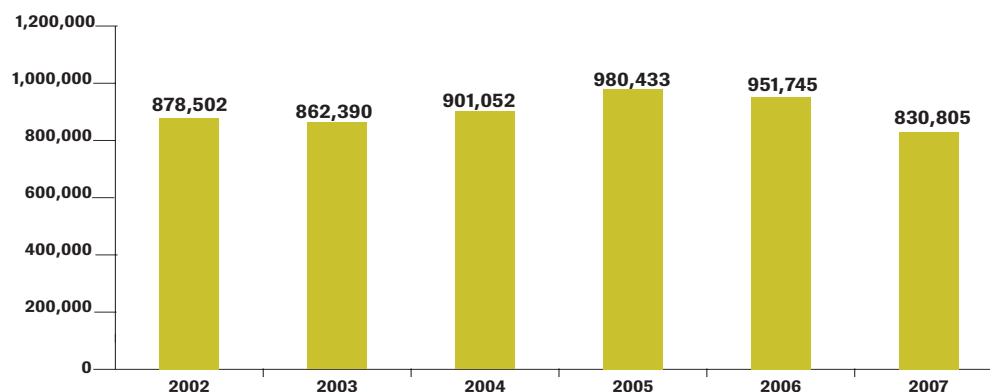
"process" needs in 2007 correspond to 2,400,133 m<sup>3</sup> (2,464,175 m<sup>3</sup> in 2006); the distribution by sector is as follows:

### Change in water consumption in m<sup>3</sup> ✓



Note : Increase in 2006 due to the change in reporting scope (Integration of Glenmorangie)

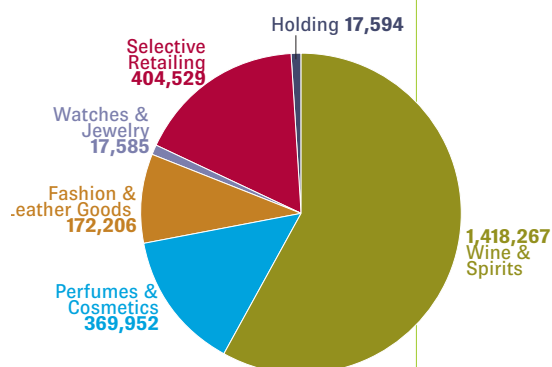
### Change in water consumption by sector at the production sites of the LVMH 2 panel (see note 1) in m<sup>3</sup>



\* Coverage rate compared to 2006 environmental coverage for this indicator: 35 %.

1. In order to track the changes in major indicators, on a comparable reporting basis, over five years, a panel of the main production sites of the Group companies was defined. Until 2004, this panel included the business activities of La Samaritaine. After the temporary closing of La Samaritaine, an LVMH 2 panel was defined in order to maintain a comparable basis for reporting. It includes the same businesses as the original panel and only La Samaritaine was excluded. Thus, the following are included in the LVMH 2 panel: the French production sites (Moët & Chandon, Veuve Clicquot Ponsardin, Hennessy, Parfums Christian Dior, Parfums Givenchy, Guerlain, Louis Vuitton Malletier), the Swiss sites (TAG Heuer) and the Le Bon Marché store. All the indicators were, therefore, recalculated based on the scope of the LVMH 2 panel. The coverage rate with respect to the 2007 reporting scope is defined for each indicator.

### Water consumption by sector in m<sup>3</sup> (ex. agricultural needs) in 2007



### Multiple programs

The availability of water is a major challenge locally, but also for the entire planet. The wines and spirits industries consume water for both agricultural needs (irrigation in Australia and California, etc.) and for production (health procedures). The Companies are expanding initiatives to use less water.

At Hennessy, closing the circuit for the cooling networks at the distilleries represents a water savings of 90% for this operation. Renovation of

the network also reduced water consumption by more than 30%, which is at least 50,000 m<sup>3</sup> of water. Hennessy has also begun the recovery of rain water at its grape growing site in order to use the water to treat the vines.

At Hennessy, a system to evaluate environmental behavior and audits of our dry materials suppliers has been implemented. Studies are being conducted on the possibility of integrating alternative energies for both vehicles and for industrial and administrative buildings.

Always at the leading edge, Domaine Chandon Australia is reusing treated wastewater, recovering and recycling run-off and has planted grasses in the vineyards that need little water or maintenance. At the same time, Cloudy Bay has begun its program to reduce water consumption; the goal is to reduce consumption by 4m<sup>3</sup> per ton of grapes harvested.

Glenmorangie has installed at its Broxburn site a number of meters to measure precisely the exact consumption of each significant station and detect any abnormal consumption. Parfums Givenchy has installed a system of remote meters at its Beauvais site to ensure daily tracking of major water consumption.

At Cortech, a subsidiary of Tag Heuer, the polishing process has moved to a new technology to reduce the volumes of water, washing products and power used.

## WATER DISCHARGE

The only significant discharge is the discharge of organic substances that contribute to eutrophication. These substances are measured by the chemical oxygen demand (COD). This demand is calculated after treatment of the effluent in the site or local stations. "Treatment" means the collective or independent waste treatment operations (aeration basin) and spreading.

The COD is actively monitored on all the sites of the Wines and Spirits and Perfumes and Cosmetics business groups.

These Companies measure it periodically, sometimes even daily, during periods of significant and concentrated discharge (harvests for Wines and Spirits).

## DCO after treatment in tons/year ☑

Sector	2007	2006	2005	2004
<b>Wines &amp; Spirits</b>	1,996.5	2,696.7 <sup>(a)</sup>	143.3	128.3
<b>Perfums &amp; Cosmetics</b>	102.0	8.8	6.2	19.5
<b>Total</b>	<b>2,098.5</b>	<b>2,705.5</b>	<b>149.5</b>	<b>147.8</b>

(a) The increase is related to the change in the scope of reporting (inclusion of Glenmorangie). The whisky manufacturing process is a continuous process that generates significant quantities of organic matter contained in the effluents discharged during the mashing, fermentation and distillation stages. No purification coefficient was applied to the effluents discharged into the sea (case of two distilleries), a current practice legally allowed throughout the Scotch whisky producing region.

In New Zealand, Cloudy Bay completed an exhaustive study to improve its already effective treatment of the waste water from its operations. All factors were considered: biological pollution, odors, sludge treatment, energy consumption and more.

## Limiting effluents at Moët & Chandon

For more than 10 years, Moët & Chandon has been working to reduce its discharges. During the harvest, at the fermenting room in Eprenay, controls were strengthened in order to limit discharge into the purification station. The pressing effluents and

washing waters (96% of the pollution load) are separated to be recycled in agriculture through land application. For the Oiry pressing center, this point was included in the design for the building. Thus, 100% of the pressing effluents are recycled through spreading. The significant reduction in water consumption between 2005 and 2006 also helped to limit the discharge.

Continually looking for improvements, Moët & Chandon has encouraged service providers for recovery of pressing by-products (like the aignes) to review their transport conditions. After experimentation in 2005, the use of sealed dump trucks was generalized in 2006.

## WASTE RECOVERY

In 2007, a total of 84,972 tons of waste was produced by the Group's Companies, 4% less than in 2006. The significant increase is related to the change in the scope of reporting (inclusion of Glenmorangie). The whisky manufacturing process is a continuous process that generates significant quantities of organic waste during the mashing and fermentation stages. The change is also related, to a lesser extent, to the inclusion of the DFS stores and to a better definition of the waste produced by La Grande Epicerie (Le Bon Marché). The breakdown of tonnages by sector is as follows:

## Waste treatment

BUSINESS GROUP	Waste Produced in 2007 (tons) ☑	Waste Produced in 2006 (tons) ☑	Waste Produced in 2005 (tons) ☑	Waste Produced in 2004 (tons) ☑	Waste Produced in 2003 (tons) ☑	Change in Waste Produced between 2007 and 2006 (%)
<b>Wines &amp; Spirits</b>	69,262	72,946 <sup>(a)</sup>	26,148	26,909	13,958	-5
<b>Perfums &amp; Cosmetics</b>	6,735	6,937	7,824	7,970	8,574	-3
<b>Fashion &amp; Leather Goods</b>	5,129	4,686	19,275 <sup>(c)</sup>	4,911	3,704	9
<b>Watches &amp; Jewelry</b>	223	184	173	176	159	21
<b>Selective Retailing</b>	3,143	3,653 <sup>(b)</sup>	1,783	4,906	4,452	-14
<b>Holding Company</b>	480	208	206	204	2	131
<b>TOTAL (tons)</b>	<b>84,972</b>	<b>88,614</b>	<b>55,409</b>	<b>45,076</b>	<b>30,849</b>	<b>-4</b>

(a) The increase is related to the change in the scope of reporting (inclusion of Glenmorangie). The whisky manufacturing process is a continuous process that generates significant quantities of organic waste during the mashing and fermentation stages.

(b) The increase is related to the change in the scope of reporting (inclusion of DFS stores) and to a better definition of the waste produced by La Grande Epicerie (Le Bon Marché).

(c) In 2005, the Fashion & Leather Goods number included a one-time production of 15,000 tons of waste related to the destruction of a site.

Hazardous waste is waste that requires sorting and treatment separate from "household" waste (cardboard, plastics, woods, paper, etc.)

BUSINESS GROUP	Hazardous Waste* (tons) in 2007 ☑	Hazardous Waste* (tons) in 2006 ☑	Hazardous Waste* (tons) in 2005 ☑	Hazardous Waste* (tons) in 2004 ☑	Hazardous Waste* (tons) in 2003 ☑	Change in Waste Produced between 2007 and 2006 (%)
<b>Wines &amp; Spirits</b>	108	136	102	150	130	-21
<b>Perfumes &amp; Cosmetics<sup>(a)</sup></b>	701	479	856	683	574	46
<b>Fashion &amp; Leather Goods</b>	67	56	33	33	47	20
<b>Watches &amp; Jewelry</b>	24	8	11	12	9	200
<b>Selective Retailing</b>	14	41	6	22	15	-66
<b>Holding Company</b>	1	0	0	1	0	/
<b>TOTAL (tons)</b>	<b>915</b>	<b>720</b>	<b>1 008</b>	<b>901</b>	<b>775</b>	<b>27</b>

(a) Certain products eliminated from the production circuit are classified as hazardous waste and are treated in the "hazardous waste" cycle to prevent counterfeiting.

The reduction of waste is a top concern. Every year, new initiatives are implemented.

At Guerlain, the thermoformed platforms that transport certain packing components are now recycled. This change recycled 25 tons of plastic in 2007.

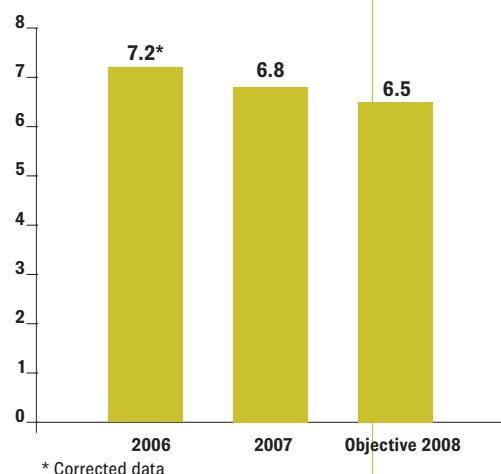
In the vineyard, Moët et Chandon has experimented with a new method for recycling vine roots. They are composted after removal, and used to produce energy. The test conducted in partnership with the Véolia Environnement group should produce 200 to 400 tons of wood per year and 400 to 900 MWh of energy.

In the United States, Sephora is successfully testing measures in two of its stores to encourage customers to return the packaging to be recycled by specialized service providers.



### Change in the Volume of Waste Produced by Activity Index at Moët et Chandon

in g of Waste (Excluding Pressing and Wine-Making Waste) per Equivalent Bottle in all Steps (Pressing/Racking/Overflow/Packaging).



This indicator takes into consideration all the activities for the year and the difference between bottling and marketing.

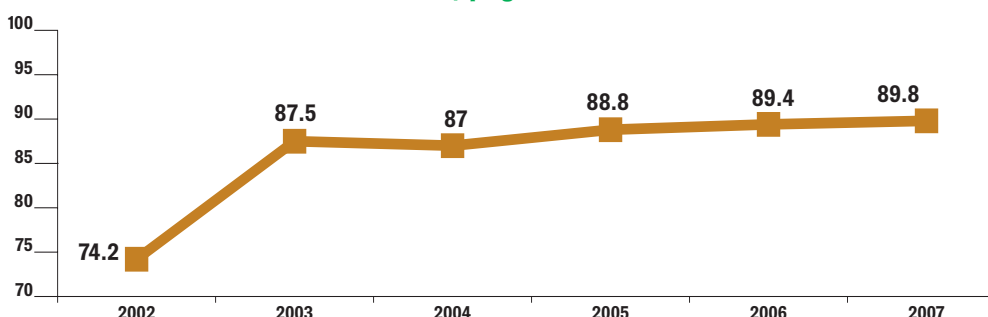
### MANAGING ENVIRONMENTAL RISKS

Safely managing the environmental risks arising from its operations is a crucial concern of LVMH, which is acting on four levels: systematic identification of the risks, organization of prevention, the protection of industrial assets and persons, and the deployment of a crisis response procedure. These actions are being conducted by qualified professionals from the different companies (safety, quality and environmental officers), who are acting in close collaboration with outside specialists. They pay particular attention to the risks related to the storage and transport of raw materials.

### Recovery of the Waste Produced by the Sites of the LVMH Group in 2007

(IN %)	Percentage of Waste Recovered			
	Reuse	Material recovery	Energy Recovery	Total recovered
Wines and Spirits	5	92	1	98
Perfumes & Cosmetics	9	48	31	88
Fashion & Leather Goods	2	49	18	69
Watches & Jewelry	15	28	36	79
Selective Retailing	-	40	27	67
Holding Company	-	74	26	100
<b>TOTAL</b>	<b>5</b>	<b>83</b>	<b>6</b>	<b>94</b>

### Percentage of waste recovered by the sites of the LVMH 2 panel between 2002 and 2007 (see note 1, page 18)



■ **The reduction of industrial risks** takes place through a prevention policy that means compliance with the highest safety standards. LVMH applies the highly protected risks standards in order to substantially reduce the risks of fire. A program to promote investments in prevention, the levels of which are considered by insurers in their risk assessment, is being implemented. This process is combined with a program to monitor industrial and environmental risks, under which 30 sites were audited in 2007 (30 sites audited in 2006).

■ **The prevention of the risks** related to the products is ensured by enhancing security and

traceability. The Hazard Analysis Critical Control Point (HACCP) method is used in the Wines and Spirits and Perfumes and Cosmetics branches. This approach increases the ability to anticipate and react in the event of product recalls. A legal watch has been set up to monitor shifts in liability risks, particularly those that could affect the Group's brands. An illustration of this process is the Hennessy guide to good practices intended for the 250 services providers on site, which contains three components: the environment, food safety and security.

Hennessy has also published small, color summary data safety sheets, which are clear and easy to understand so that the employees know which



precautions to take at any time and how to react in any situation. Displayed at the work stations, these sheets can also be carried in a pocket.

■ **The correct application of this policy is monitored** through a large number of risk audits on the sites and regular reporting. Thus, the relevance of the risk management policy can be measured and evaluated.

Since 2004, the Group has had a risk mapping tool to systematically identify its industrial, environmental, and operational risks on the basis of common standards. Ranking those risks shows the priority cases. This information and alert tool allows preventive action to reduce the probability that the dangers identified will occur..

### REACH—a major program

The use of chemicals is generating growing concerns about their effects on human health and the environment. It is against this backdrop that the European REACH regulation (*Registration, Evaluation, Authorization of Chemicals*) became effective on June 1, 2007. REACH is intended to make up for the lack of knowledge about chemicals and their effects on the health of consumers and the environment.

This new regulation places responsibility for risk assessment on the manufacturers and users of the substances.

LVMH mobilized its efforts to meet these new requirements. Information meetings were organized by the holding company, with the assistance of a specialized legal firm, with all Companies, and a true inventory of the potential impact for the brands was completed for all Group business sectors.

This resulted in a major program to identify substances in order to identify the potential risks. All sectors were involved, even the retail sector (Le Bon marché, Sephora), which must verify with its suppliers that all products sold comply with this new regulation.

Facing various issues, each company gets organized, under the supervision of LVMH, who assists them when needed. Louis Vuitton, in order to run its projects in-house, trains its own buyers. Perfumes and Cosmetics companies brought together a common working group. Watches and Jewellery brands trained several teams in-house, in charge of ensuring products' compliance with European directive REACH. A working group, led at the holding level, was established to study the impact of REACH on issues which are shared by all LVMH companies. 2007 was the year of inventories. 2008 will be the year for action.

## GROUP ENVIRONMENTAL EXPENDITURES

### The Environment: A profitable investment

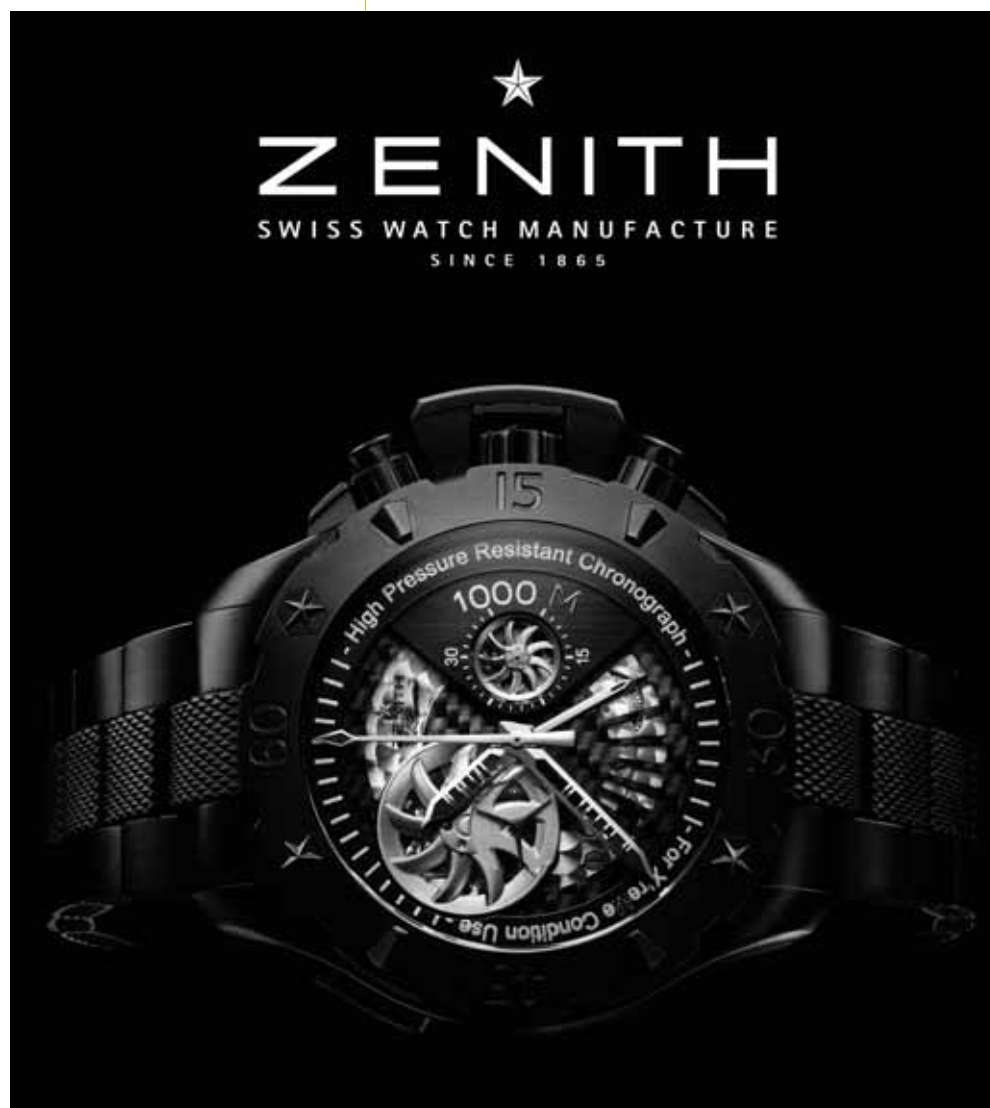
The cost of the environmental policy is difficult to evaluate. Initially, it is a commitment, a wish: increase the awareness of employees and suppliers, reduce packaging, a new transport method, a High Environmental Quality building. All these processes have a cost, but result in savings in the short, medium and long term. Under these conditions, it is difficult to calculate the many projects conducted at all levels by the 50 brands of the Group. In 2007, the amount of the expenditures directly related to the protection of the environment can be analyzed as follows:

- operating expenses: 6.4 million euros (5.9 million in 2006);
- capital expenditures: 5.1 million euros (3.2 million in 2006).

There was no provision in 2007 for environmental risks.

The environmental expenditure items were recognized in accordance with the recommendations in the opinion from the French National Accounting Board (Conseil National de la Comptabilité CNC). The operating expenses and capital expenditures were carried forward for each of the following items:

- protection of the ambient air and climate,
- management of waste water,
- management of waste,
- protection and cleanup of the soil, underground water and surface water,
- protection against noise and vibrations,
- protection of biodiversity and the landscape,
- protection against radiation,
- research and development,
- other environmental protection activities.



# Shared Concerns

2007 LVMH

LVMH SHARES WITH ITS PARTNERS, SUPPLIERS, INVESTORS AND CUSTOMERS ITS DESIRE TO ACT TO PROTECT THE ENVIRONMENT AND TO INTEGRATE THE ENVIRONMENT IN THE DESIGN, MANUFACTURE AND SHIPMENT OF PRODUCTS. CONSUMER PROTECTION AND HEALTH LIE AT THE HEART OF THE STUDIES CONDUCTED IN THE WINES AND SPIRITS AND PERFUMES AND COSMETICS BUSINESS GROUPS.

## ESTABLISHMENT OF A SUPPLIER CODE OF CONDUCT

The request made to suppliers to follow the same social and environmental rules as the different Companies of LVMH has become official. Just like the "Environmental Charter" signed in 2001 intended for the Group companies, the code of conduct developed in 2007 is intended for the partners of all Group companies. It demands that they remain vigilant about the environment and ensure the social rights of their employees. Guided by a concern for high quality and transparency for its customers, LVMH wants to select the best partners, help them to improve their practices, and intends to evaluate their performance through audits. Any violation of the rules defined can result in a review, even the termination of a commercial relationship. This general approach is in addition to the initiatives that have been developed each year.

Accordingly, Veuve Clicquot initiated its third measure to increase awareness of the environmental approach and share experiences with grape delivery personnel. Over three years, this awareness program has reached over 1500 delivery people. Around harvest time, Moët & Chandon conducted environmental audits at the facilities of its pressing service providers. More than 25 pressing centers were audited, representing 12% of the volumes of grapes purchased.

Louis Vuitton has released its guide to good practices and has systematized the insertion of environmental clauses into contracts signed with its suppliers, service providers and subcontractors. Before making commitments to new suppliers, the Company systematically verifies the industrial practices, compliance with environmental standards and safety rules of its future service provider. A large number of investigations and social pre-audits (SA 8000 type) and environmental audits were completed in 2007 (leather goods, materials for store design, merchandising, etc.).

LVMH is also continuing its work with the Council for Responsible Practices in Jewelry, an international association that ensures that responsible attitudes are adopted throughout the jewelry sector, from extraction of the gold and diamonds from the mines up to the retail jeweler.

## GUARANTEEING MAXIMUM SAFETY FOR PERFUMES AND COSMETICS

The objective of LVMH is clear: to ensure that the products are safe for human health by selecting ingredients and using appropriate alternative methods at the beginning of the process. In addition, following the example of Parfums Christian Dior, which publicly announced its decision in 1989, the various brands of the LVMH Perfumes and Cosmetics business group no longer conduct animal testing to evaluate the safety of cosmetics products. At Parfums Christian Dior, Guerlain, Parfums Givenchy or Kenzo Parfums, the teams are no longer satisfied with applying just the international regulations in force; they anticipate future regulations and implement them before they are required. LVMH has banned the use of ingredients if the safety of those ingredients is not totally certain.

Cosmetic products manufactured or sold in European territory are governed by Directive 76/768/EEC from the Council. This "cosmetics directive" is considered by experts to be among the most stringent of documents governing the marketing of cosmetics in the world. This directive governs all substances used by the cosmetics industry and requires the completion of a risk assessment for each product marketed, conducted by a qualified person and under his responsibility, which takes into consideration the conditions of use. In addition, the Consumer Products Scientific Committee (SCCP) of the European Commission evaluates the safety of the substances used in cosmetic products on an ongoing basis.

The Group is particularly vigilant in complying with regulatory instruments, opinions from scientific committees, and the recommendations of professional associations. In addition to these texts, the Group's toxicologists, who are responsible for product safety, take into consideration scientific advances and define their own rules which are then imposed on the suppliers and development teams. The experts regularly participate in the working groups of national and European authorities and are very active in professional organizations.

In the environmental area, changes in scientific knowledge and/or regulations sometimes lead us to replace certain ingredients. Thus, for example, it was decided not to use triclosan in products because of its environmental risk, even though European scientific bodies (Executive Scientific Committee and the SCCP) provided favorable consumer safety assessments in 2002. Today, it has been completely eliminated from all products sold by the Group.

## "COSMETIC-VIGILANCE" TO ANALYZE CONSUMER COMPLAINTS

Compliance with current regulations and anticipating future European directives by applying the most stringent rules is part of the LVMH policy, which sets a very high standard for its specifications so that its cosmetic products are completely safe. However, that is not enough. In order to ensure complete safety for its creams and other perfumes, the LVMH laboratories monitor them up to consumers. A "cosmetic-vigilance" department is responsible for studying and analyzing all claims. If there is a complaint about an allergy, an intolerance or severe irritation, the customer is questioned, and a team tries to identify with the customer the causes that resulted in the irritation. The entire inquiry is included in the product file and may become the basis for new research to improve its composition.

## OFFERING PRODUCTS RESULTING FROM ECO-DESIGN

Significant progress has been made in eco-design. New tools have been developed to measure the environmental impact of the decisions made in the choice of packaging or promotional campaigns.



## Guerlain saves over 60 tons of cardboard

Guerlain has focused its efforts on the packaging for its Success skincare line. The sizes of the folding boxes have been readjusted to fit the size of the products more closely. The volume of the boxes has been reduced by 20% to 40%, generating a savings of 3.4 tons of cardboard in 2007. In the future, a similar process will be conducted every time the skincare line changes its packaging.

Window decorations have changed. They were previously primarily made of plastic. Now cardboard is the dominant material. It is more easily recyclable locally by the points of sale. This change has generated a savings of 22.5 tons of plastics.

In addition, the initiative that began in 2005 continued. The boxes used to hold the Christmas cases are now reused to ship packaged cases to the sub-

diaries. The size of the cases has been optimized to take up less room on the pallets. A total of nearly 65 tons of cardboard was saved in 2007, and required 365 fewer pallets (11 trucks) to ship the perfumes for Christmas.

## Moët & Chandon adopts a simplified tool to analyze the life cycle

Measuring the environmental impacts for packaging, at all stages in the life cycle of a product, is essential. A simplified tool to analyze the life cycle of products, adapted from the "Product Assessments" from the French Environmental Agency (ADEME), was provided to various in-house players (marketing, merchandising, buyers and packaging development & POS) so that they can simply measure the impact of their choice for future development projects.

The new "box-pallet" displays manufactured with 86% recycled fibers, printed with inks containing no solvents, which can be used from one year to the next are now widely used.

In addition, the major project to reduce the weight of the champagne bottles continued. Initiated in 1994-1995, this project required 10 years of studies and tests to reduce the weight of the champagne bottles, while maintaining resistance to the pressure of the wine, and without disturbing consumers who love the shape of the bottles. The experimental phase is continuing. While resistance to pressure has long been a given, a number of other parameters must be checked, including the adaptation of the new bottle to bottle rotation and shipping packaging etc. The industrial experimentation phase is progressing. In the end, the weight of 75 cl bottles could be reduced by 55 grams (835 g versus 890 g).

## Packaging Placed on the Market

IN TONS	2007	2006	2005	2004	Change 2007-2006	Organic growth 2007-2006
<b>Wines &amp; Spirits</b>	152,089	148,121 <sup>(a)</sup>	117,735	113,607	3	13
<b>Perfumes &amp; Cosmetics</b>	21,261	19,042	16,678	19,673	12	14
<b>Fashion &amp; Leather Goods</b>	5,136	2,298	2,269	2,576	123 <sup>(b)</sup>	12
<b>Watches &amp; Jewelry</b>	512	493	213	228	4	19
<b>Selective Retailing</b>	1,373	1,676	1,502	1,451	-18	12
<b>TOTAL</b>	<b>180,371</b>	<b>171,630</b>	<b>138,397</b>	<b>137,535</b>	<b>5</b>	<b>13</b>

(a) The increase in the packaging volumes on the market is related to the change in the scope of reporting (inclusion of Glenmorangie).

(b) The increase in the packaging volumes on the market is related to increase in business and change in the scope of reporting.

## Louis Vuitton focuses on the stores and window displays

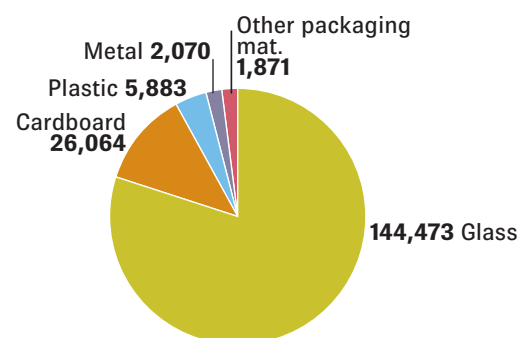
Present on all fronts, Louis Vuitton has focused on store concepts to improve their environmental performance. This first measure has already substantially reduced energy consumption for lighting, particularly at the Maison des Champs Elysées in Paris. This program has been expanded: energy diagnostics have been performed on several stores and a life cycle analysis was launched in 2007. The window displays, the images of the Brand, are now the focus to identify ways to design them so that they are more ecological while remaining just as beautiful.

In addition, Louis Vuitton continued its efforts to reduce the use of solvent glues in order to eliminate them in the short-term. Regular reports were provided on the progress of the project with the team heads. At the end of 2007, some sites had already achieved their goal. Special gluing machines were purchased for water-based glues, and steam or ultra-sound cleaning machines.

## Ecopublicité : Measuring the environmental impact of advertising campaigns

A joint project conducted with ADEME, Havas and PriceWaterhouseCoopers was initiated. For the first time, a tool was designed to measure the environmental impact of promotional campaigns. All parameters were analyzed: the impact of the visual production (photos, film shoots in France or abroad, etc.), the impact from the choice of medium (print press, television, radio, etc.), the duration of the campaign. The tool takes into consideration over thirty flows (air emissions, water discharge, waste

## Packaging volumes by type of material (tons)



production and energy consumption) and calculates the total impact of the campaign on the greenhouse effect, water eutrophication, energy consumption, or air acidification. Then fully informed choices are made. An initial ad campaign was used to test and finalize the tool. This was a 2007 press campaign (the medium most used by the Group's companies) with large distribution in France (over twenty fashion or trade magazines). The visuals used were produced in Europe and the United States and required air travel. The results obtained were as follows:

FLOW	Unit	Total	Production of visuals	Fabrication of magazines	Transport of magazines
Air acidification	t eq SO <sub>2</sub>	0.275	22%	75%	3%
Greenhouse effect 100 yrs	t eq CO <sub>2</sub>	45.31	34%	63%	3%
Eutrophication of water	t eq PO <sub>4</sub>	0.0365	Not significant	100%	Not significant
Depletion of non-renewable - resources	index	3,015	9%	90%	1%



### ENCOURAGE RESPONSIBLE CONSUMPTION

Use products responsibly - is the standard of conduct which LVMH and the Wines and Spirits Companies want their customers to adopt. It was founding member of Business and Prevention created fifteen years ago, an association that makes recommendations to public authorities to encourage moderation. The Wines and Spirits companies practice a responsible marketing policy and include a message for moderation in all advertising. The goal is to discourage the very young from drinking and encourage older people to drink responsibly.

Alcohol is not recommended for anyone under the age of 18, the legal age in France. Therefore, the LVMH companies have introduced on the home page of their website a question asking the visitor his/her age. Visitors younger than 18, are given the rules for buying and using alcohol in force in their country and everything is done to discourage them. Visitors over 18 receive messages on responsibility on the home pages of the sites as well as on the advertising from the various brands.

Providing information is not enough; it is necessary to create the conditions to ensure that

consumers drink responsibly. In order for the approximately 350,000 annual visitors to the cellars of the Group's companies or guests at events to drink responsibly, the Group has set out ten recommendations to organizers of receptions. They are simple and common sense rules:

- Specify precisely the hours of the event and stick to them.
- Plan the event before a meal.
- Give preference to service with employees rather than self-service.
- Limit the circulation of servers.
- Always provide solid foods, which are varied and attractive and do not make people thirsty.
- Also offer water and non-alcoholic drinks.
- Make sure that management is represented during the event.
- Serve moderate set servings.
- Offer breath tests.
- Discourage those over the legal limit from driving.

These ten recommendations, which have been applied in France in the champagne and cognac houses, have been sent to the European distribution companies of LVMH.

### CONVINCING INVESTORS

It is difficult to evaluate the cost of the environmental policy. Initially, it is a commitment, a conviction, training hours and investments. However, over the years, the adoption of green practices reduces water or electricity consumption, and the reduction in packaging reduces shipping costs. All this results in savings. These actions take place under the watchful eye of the agencies that study best practices. The non-financial ratings agency SAM (Sustainable Asset Management) has highlighted the strong general level of LVMH in terms of social and environmental responsibility, and mentioned the LVMH group in "The Sustainability Yearbook". The French Information Centre for Businesses (CFIE) ranks it as a leader with respect to the environment.



# Programs Extended to Civil Society

2007 LVMH

COMMITTED TO THE INTERNATIONAL COMMUNITY AFTER SIGNING GORDON BROWN'S MILLENNIUM OBJECTIVES AND TO ITS EMPLOYEES AND SUPPLIERS UNDER THE ENVIRONMENTAL CHARTER AND SUPPLIER CODE OF CONDUCT, LVMH IS EXPANDING ITS PROGRAM TO CIVIL SOCIETY. TO ADVANCE THE DEBATE, THE GROUP IS INCREASING THE MEASURES CONDUCTED WITH ASSOCIATIONS, SCHOOLS, LOCAL COMMUNITIES AND PUBLIC AUTHORITIES.

## A PARTNER OF ASSOCIATIONS AND SCHOOLS

In Poland, Belvedere vodka company, a member of the Foundation for the protection of the environment in the city of Zyrardow, has invested in a number of operations, including cleanup of local Pisia River or cleaning programs in the urban area by offering the community the equipment necessary for cleaning and treatment.

Louis Vuitton has successfully developed an innovative operation to support major associations that are fighting to protect the planet. The leather goods company asked its spokespersons, Catherine Deneuve, André Agassi, Steffi Graf and Mickhail Gorbatchev to participate in an institutional ad campaign on travel. Their fee and a supplement were paid to Al Gore's Climate Project and Green Cross, an environmental association founded by

Mickhail Gorbatchev. This first project will be followed by similar projects with other artists.

The projects conducted for many years with Orée, an association that works to implement concrete measures in the field continued. Several working groups were formed last year to draft good practice guides for eco-design, biodiversity and industrial risks. The Group also works regularly with the environmental commission of the FEBEA (Federation of Beauty Businesses) and the environmental commission of the ILEC (Institute for Liaison of Consumer Enterprises) on issues related to the environment and the brand.

Young people, whatever their professional future, must integrate environmental reflexes. To inform them, LVMH regularly works in the major schools such as CNAM (National Conservatory of Arts and Crafts) or the ESSEC.

## A NETWORK OF PARTNERS TO FIND PLANTS FOR SKINCARE PRODUCTS

Continuing a longstanding tradition, LVMH Perfumes and Cosmetics Research as adopted an ethnobotanical approach to find new ingredients to be used in the formulation of skincare products, make-up and other perfumes. Research is primarily focused on tropical regions where there is a particularly rich biodiversity and where plants are used every day for both health and food. Initial contacts have been established in the field, either with a person, a company, a university, or a research institute like the IDVP (Vietnamese Institute of Research and Development) in Vietnam. Next, over the years, real networks have been established, creating a kind of chain from countries like Madagascar, India, Burkina Faso or Vietnam to the plants in Saint Jean de Braye.

Everything is based on an exchange, a long-term approach and lasting relationships that allow active participation in local economic development and the preservation of certain plant species. Teams in the countries are researching plants that may have beneficial effects on the skin, particularly for aging. Samples arrive in the Saint Jean de Braye laboratory where the extracts are taken, examined and tested. A plant may be studied for ten years before a decision is made to introduce it in future cosmetic products. This is how longoza, grown in Madagas-



L'amour est sans doute le plus beau des voyages. Suite n°27, Fox (am, New York).

Steffi Graf, André Agassi et Louis Vuitton appuient leur soutien à The Climate Project.

Tel: 0110 810 010 | [www.louisvuitton.com](http://www.louisvuitton.com)

LOUIS VUITTON

car with the assistance of a local association that harvests it, came to be included in the composition of Dior's Capture Totale cream.

### COMMUNICATING ITS COMMITMENTS

Convinced that nature must not be a luxury for future generations, that we must act with care and prudence to transmit intact the assets we use today, Louis Vuitton is communicating its commitments. The brand's website has been expanded with an environmental section where visitors can find the environmental charter, good practices, objectives and a letter from Al Gore after his team visited the new center in Eole.

In order to communicate its commitment, Domaine Chandon Australia distributes a brochure in the American market which explains the good practices that ensure constant grape and wine production, while reducing consumption of water, chemicals and oil.

### READY TO SHARE ITS EXPERIENCE

In order to change attitudes and behaviors, it is necessary to convince, both internally and around us. LVMH shares its experiences to encourage the adoption of best practices by the greatest number. In Champagne, Moët & Chandon is collaborating with the CIVC (Interindustry Champagne Committee) to protect the water catchment basins. Working groups are studying ways to limit the risks of contaminating water tables used for wells. This includes exemplary growing practices on all sites, reducing the use of herbicides, and the development of seeding to reduce run-off.

In Scotland, Glenmorangie is working in partnership with the Scotch Whisky Association to complete a carbon footprint for the whisky industry. The objective is to determine the volumes of greenhouse gases emitted by all whisky operations in the region.

**Any person or association who has questions to ask the Group can do so, and is guaranteed to receive an answer, by writing to:**

**[environnement@lvmh.fr](mailto:environnement@lvmh.fr)**

## Al Gore encourages Louis Vuitton



**"Louis Vuitton's support for The Climate Project is highly revealing about the way in which a leading company can make a significant contribution to the fight against global warming, in both words and actions.**

**Louis Vuitton has always been respectful of the environment in its manufacturing methods. This desire is now revealed in its corporate communications. Louis Vuitton has made**

**a commitment to increase public awareness of the risks of climate change. And it is demonstrating that a company can be innovative, successful and concerned about protecting the environment.**

**The Climate Project has set a goal to mobilize public opinion on environmental and climate issues and to inform the public of practices to be implemented to solve this crisis. Our partnership with Louis Vuitton clearly represents a significant advance in the pursuit of our mission."**



# Objectives

These tables present the objectives assigned to a Group Company and its business group is indicated in the second column.

## ACHIEVEMENTS OF 2007 OBJECTIVES

### AIM FOR A HIGH LEVEL OF PERFORMANCE

Strategy	Business Group	Objective assigned to the Company in 2007	Deadline
Comply strictly with environmental regulations	<b>HOLDING COMPANY</b>	■ Systematically verify environmental compliance during internal financial audits of the sites	■ Achieved
		■ Maintain French and International environmental regulatory oversight	■ Achieved
	<b>WINES &amp; SPIRITS</b>	■ Set up a rain water/waste water separating network	■ Achieved
Reduce the environmental impacts of the products and at the industrial, administrative sites and shipping warehouses: water, energy, waste, transport, etc.	<b>WINES &amp; SPIRITS</b>	■ Produce 5.6 g of waste (excluding pressing waste) per equivalent bottle in total steps	■ Not Achieved
		■ Reduce energy consumption:	■ Achieved
		– Replace a boiler room	
		– Optimize a cooling unit	
		– Launch the eco-lighting approach (Greenlight)	
		– Prospective study on the use of renewable energies	
	<b>PERFUMES &amp; COSMETICS</b>	■ Start the construction of a High Environmental Quality building	■ Achieved
	<b>SELECTIVE RETAILING</b>	■ Complete an energy diagnostic for a department store	■ Achieved
	<b>FASHION &amp; LEATHER GOODS</b>	■ Conduct an energy diagnostic for boutiques	■ Achieved

### FOSTER A COLLECTIVE PURPOSE

Strategy	Business Group	Objective assigned to the Company in 2007	Deadline
Involve all employees	<b>HOLDING COMPANY</b>	■ Write two issues of the Attitude letter (intended for executives)	■ Achieved
		■ Update again and distribute the supplier tool	■ In Progress
	<b>HOLDING + COMPANIES</b>	■ Increase employee awareness in at east three companies of the Group during sustainable development week	■ Achieved
	<b>WINES &amp; SPIRITS</b>	■ Incorporate the environment into the training of 100% of the harvest workers (pressing rooms)	■ Achieved
Distribute the results to all hierarchical levels	<b>HOLDING COMPANY</b>	■ Share the 2006 environmental results with employees through the LVMH environment Intranet	■ Achieved

## CONTROL ENVIRONMENTAL HAZARDS

Strategy	Business Group	Objective assigned to the Company in 2007	Deadline
Have an effective management system audited at least every 3 years	<b>FASHION &amp; LEATHER GOODS</b>	■ Obtain ISO 14001 certification for a logistic platform	■ Achieved
	<b>WINES &amp; SPIRITS</b>	■ Obtain ISO 14001 certification for an entire Champagne company	■ Achieved
		■ Pass the audit to renew ISO 14001 certification for a company already certified	■ Achieved
Detect all environmental risks, prevent and reduce them	<b>ALL</b>	■ Train the team of LVMH internal auditors in the ISO 14001 audit	■ Not achieved (postponed to 2008)

## GUARANTEE PRODUCT DISPOSAL

Strategy	Business Group	Objective assigned to the Company in 2007	Deadline
Incorporate the environment into the design of Group products, in-house and with suppliers and subcontractors	<b>HOLDING + COMPANIES</b>	■ Distribute to marketing and design managers a new version of the LVMH environmental trends report	■ Achieved
		■ Maintain a watch on ecological materials, processes and products	■ In Progress
	<b>MONTRES ET JOAILLERIE</b>	■ Replace the polystyrene used in shipping packaging	■ En cours
	<b>VINS ET SPIRITUEUX</b>	■ Lighten the weight of the Champagne bottle ■ Launch the first 100% biodegradable Wines and Spirits box	■ In Progress ■ Achieved

## MAKE A COMMITMENT OUTSIDE THE COMPANY

Strategy	Business Group	Objective assigned to the Company in 2007	Deadline
Be involved with the stakeholders	<b>HOLDING COMPANY</b>	■ Continue partnership with the OREE association: serve as chair of the association, participate in the working groups drafting the guide on "sustainable" transportation of merchandise for small and medium businesses and industries	■ Achieved
		■ Continue the joint actions with the 11 other partner associations and organizations	■ Achieved
	<b>WINES &amp; SPIRITS</b> <b>PERFUMES &amp; COSMETICS</b>	■ Open the site to the public during heritage days	■ Achieved

## OBJECTIVES FOR 2008 AND BEYOND (not exhaustive)

### AIM FOR A HIGH LEVEL OF PERFORMANCE

Strategy	Business Group	Objective assigned to the Company in 2008	Deadline
Comply strictly with environmental regulations	<b>HOLDING COMPANY</b>	<ul style="list-style-type: none"> <li>■ Systematically verify environmental compliance during internal financial audits of the sites</li> <li>■ Maintain French and International environmental regulatory oversight</li> </ul>	<ul style="list-style-type: none"> <li>■ Ongoing</li> <li>■ Ongoing</li> </ul>
Reduce the environmental impacts of the products and at the industrial, administrative sites and shipping warehouses: water, energy, waste, transport, etc	<b>WINES &amp; SPIRITS</b>	<ul style="list-style-type: none"> <li>■ Produce 6.5 g of waste (excluding pressing waste) per equivalent bottle in total steps</li> <li>■ Obtain carbon neutrality for a Company</li> <li>■ To reduce greenhouse gas emissions by 20% in ten years of a Champagne House</li> </ul>	<ul style="list-style-type: none"> <li>■ 2008</li> <li>■ 2008 and beyond</li> <li>■ 2008 and beyond</li> </ul>
	<b>FASHION &amp; LEATHER GOODS</b>	<ul style="list-style-type: none"> <li>■ Begin construction of two sites in compliance with High Environmental Quality standards</li> <li>■ Finalize an architectural design for more environmentally-friendly stores</li> </ul>	<ul style="list-style-type: none"> <li>■ 2008</li> <li>■ 2008</li> </ul>
	<b>WATCHES &amp; JEWELRY</b>	<ul style="list-style-type: none"> <li>■ Develop the use of cogeneration and renewable energies</li> </ul>	<ul style="list-style-type: none"> <li>■ 2008</li> </ul>
	<b>PERFUMES &amp; COSMETICS</b>	<ul style="list-style-type: none"> <li>■ Complete the Carbon Footprint for three Companies</li> </ul>	<ul style="list-style-type: none"> <li>■ 2008</li> </ul>

### FOSTER A COLLECTIVE PURPOSE

Strategy	Business Group	Objective assigned to the Company in 2008	Deadline
Involvement of all employees	<b>HOLDING COMPANY</b>	<ul style="list-style-type: none"> <li>■ Distribute Attitude, the Letter to the Chairmen</li> </ul>	<ul style="list-style-type: none"> <li>■ 2008</li> </ul>
	<b>HOLDING + COMPANIES</b>	<ul style="list-style-type: none"> <li>■ Update again and distribute the supplier tool</li> <li>■ Increase employee awareness in at least three companies of the Group during sustainable development week</li> </ul>	<ul style="list-style-type: none"> <li>■ 2008</li> <li>■ 2008</li> </ul>
	<b>WINES &amp; SPIRITS</b>	<ul style="list-style-type: none"> <li>■ Incorporate the environment into the training of 100% of the harvest workers (pressing rooms)</li> </ul>	<ul style="list-style-type: none"> <li>■ Ongoing</li> </ul>
Distribute the results to all hierarchical levels	<b>HOLDING COMPANY</b>	<ul style="list-style-type: none"> <li>■ Share the 2006 environmental results with employees through the LVMH environment Intranet</li> </ul>	<ul style="list-style-type: none"> <li>■ 2008</li> </ul>



## CONTROL ENVIRONMENTAL HAZARDS

Strategy	Business Group	Objective assigned to the Company in 2008	Deadline
Have an effective management system audited at least every 3 years	<b>FASHION &amp; LEATHER GOODS</b>	■ Obtain ISO 14001 certification for one site	■ 2008
	<b>WINES &amp; SPIRITS</b>	■ Obtain ISO 14001 certification for an entire Champagne company	■ 2008-09
Detect all environmental risks, prevent and reduce them	<b>ALL</b>	■ Train the team of LVMH internal auditors in the ISO 14001 audit	■ 2008

## FOLLOW THROUGH ON PRODUCT DISPOSAL

Strategy	Business Group	Objective assigned to the Company in 2008	Deadline
Incorporate the environment into the design of Group products, in-house and with suppliers and subcontractors	<b>HOLDING + COMPANIES</b>	■ Distribute to marketing and design managers a new version of the LVMH environmental trends report	■ 2008
		■ Distribute the Ecoadvertising tool (environmental assessment of ad campaigns)	■ 2008
		■ Distribution of the Supplier Code of Conduct	■ 2008
		■ Maintain a watch on ecological materials, processes and products	■ Ongoing
	<b>WATCHES &amp; JEWELRY</b>	■ Replace the polystyrene used in shipping packaging (continued)	■ 2008
	<b>WINES &amp; SPIRITS</b>	■ Lighten the weight of the Champagne bottle continue the process	■ 2008
		■ Develop and distribute tools to assess the environmental impact of packaging	■ 2008
	<b>FASHION &amp; LEATHER GOODS</b>	■ Systematize the use of water-based varnishes for leathers and completely eliminate solvent glues in leather goods	■ 2008

## MAKE A COMMITMENT OUTSIDE THE COMPANY

Strategy	Business Group	Objective assigned to the Company in 2008	Deadline
Be involved with the stakeholders	<b>HOLDING COMPANY</b>	■ Continue partnership with the OREE association: serve as chair of the association, participate in the working groups drafting the guide on "sustainable" transportation of merchandise for small and medium businesses and industries	■ Ongoing
		■ Continue the joint actions with the 11 other partner associations and organizations	■ Ongoing
	<b>WINES &amp; SPIRITS</b>	■ Open the site to the public during heritage days	■ Ongoing
	<b>PERFUMES &amp; COSMETICS</b>		
	<b>WINES &amp; SPIRITS</b>	■ Develop partnerships with local authorities and communities (regional Carbon Footprints, sharing good practices...)	■ 2008

# Report of moderate assurance on certain environmental indicators

2007 LVMH

DEAR SIR/MADAM:

AT THE REQUEST OF LVMH AND IN OUR CAPACITY AS STATUTORY AUDITORS, WE HAVE CONDUCTED A REVIEW INTENDED TO ALLOW US TO EXPRESS MODERATE ASSURANCE WITH RESPECT TO TEN ENVIRONMENTAL INDICATORS FOR FISCAL YEAR 2007 THAT ARE IDENTIFIED BY A CHECKMARK ☒ IN THE ANNUAL REPORT.

THESE DATA WERE PREPARED UNDER THE RESPONSIBILITY OF LVMH MANAGEMENT IN ACCORDANCE WITH THE REPORTING PROCEDURES FOR ENVIRONMENTAL DATA THAT MAY BE REVIEWED IN THE OFFICES OF THE ENVIRONMENTAL DEPARTMENT. IT IS OUR RESPONSIBILITY, BASED ON OUR WORK, TO EXPRESS A CONCLUSION ON THE DATA.

## NATURE AND SCOPE OF WORK PERFORMED

We have conducted a limited review in order to provide moderate assurance that the data do not include any significant misstatement. A high level of assurance would have required more extensive work.

- We assessed the procedures for reporting the environmental data with regard to their relevance, accuracy, objectivity, comprehensibility and completeness.
- We conducted interviews with the Environmental Department at the corporate offices and at eleven selected entities<sup>(1)</sup> with the persons involved in the application of the procedures.
- We conducted data validation tests at the selected entities that contributed an average of 54% to the total environmental impacts of the group.
- We reviewed the calculations on a test basis and verified the reporting of the data at the various consolidation levels.
- To assist us in carrying out this work, we called upon our specialized teams on Sustainable Development issues, which report to Eric Duvaud.

## COMMENTS ON REPORTING PROCEDURES

The reporting procedures defined by LVMH for the selected environmental data call for the following comments:

- In order to improve the reliability of the reporting process for environmental information, the Group must continue its efforts, particularly with regard to strengthening internal controls at all levels.
- The efforts undertaken to extend the reporting parameters on environmental information must be strengthened, particularly for retail sales activities.

## CONCLUSION

During the course of our work, we found the following irregularity:

- The "training hours" indicator resulted in omissions and errors in understanding the standards, which led to significant variances that have been corrected.

Based on our work and subject to the reservations above, we found no significant irregularity that would call into question the fact that the data reviewed was prepared, in all significant aspects, in accordance with the procedures defined by the Group.

Neuilly-sur-Seine, April 7, 2008

The Statutory Auditors  
ERNST & YOUNG Audit

Jeanne Boillet

Olivier Breillot

*(1) Sephora, Le Bon Marché, Fendi, Loewe, Louis Vuitton (consolidated information at the corporate offices and one site), Les ateliers horlogers, Parfums Christian Dior, Guerlain (Orphin), Glenmorangie, Hennessy, Bodegas Chandon.*