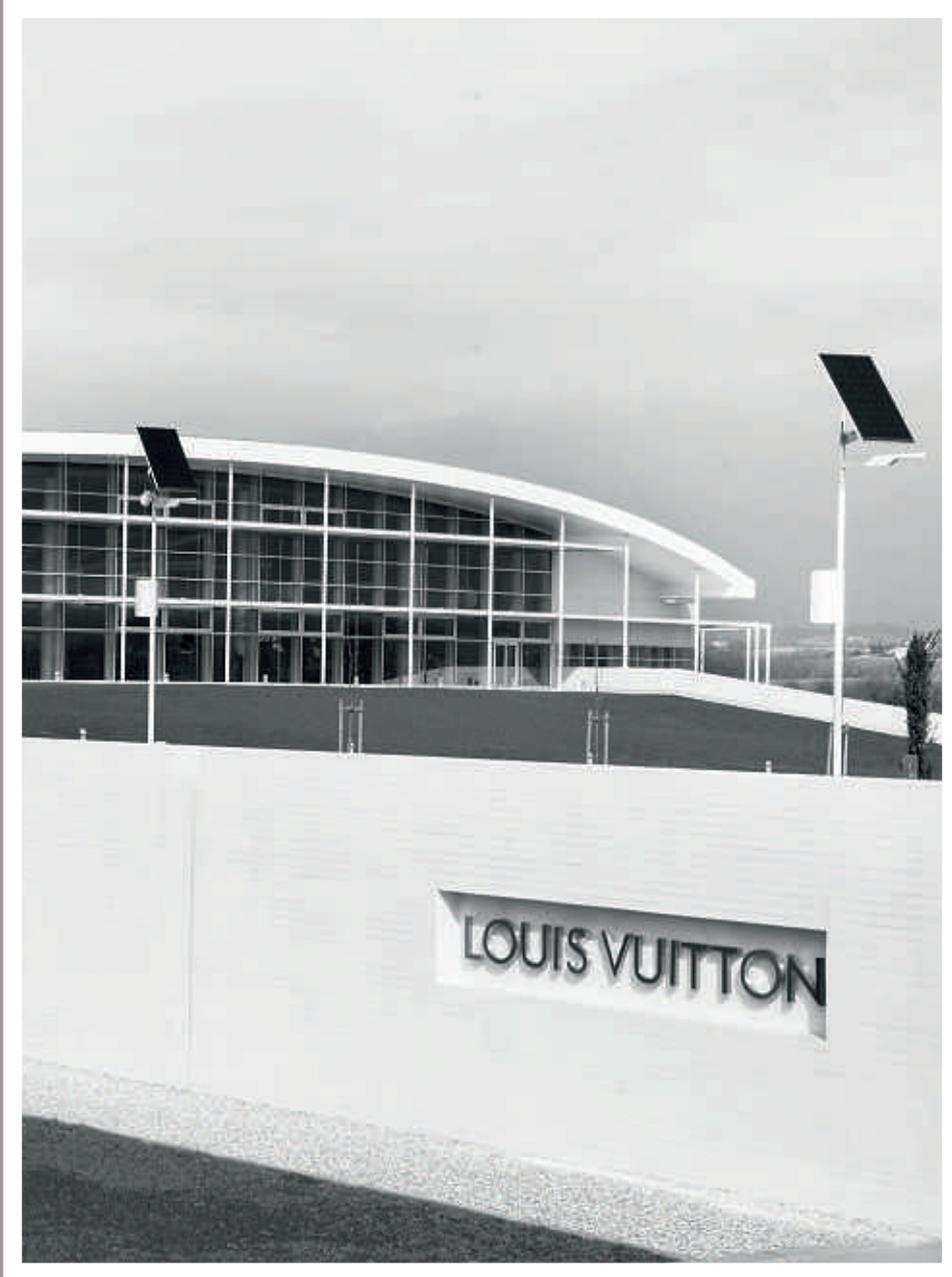


LVMH

—  
2011 ENVIRONMENT REPORT



L V M H

—  
MOËT HENNESSY • LOUIS VUITTON

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— *The environment has long been a concern of the brands of the LVMH group. In fact, LVMH is one of the first corporations to create its own environmental department, which it introduced in 1992. This commitment to the environment became entrenched in the Group's strategy in 2001, when Bernard Arnault signed the Environmental Charter encouraging each Maison to set up a system of environmental management, and each Chairman to become involved in the various initiatives.*

Sustainable and responsible production, coupled with environmental protection, is at the heart of our business model. Moreover, it is what our customers expect. Regardless of their profile or level

of involvement, customers expect our brands to reflect their aspirations for a better world and to safeguard resources as much as possible. All of our operations follow specific guidelines. Designing luxury products that draw on the Maisons' considerable heritage requires not just innovation, creativity and first-class execution but also consideration of environmental performance.

This environmental dimension is also a vital concern for all our employees and suppliers, who look to our initiatives and good environmental practices for fresh perspectives, motivation and expertise. Without question, the Group's environmental policy strengthens and reflects the quality of our performance and investors' confidence in our company's

strategy and future with regard to the challenges facing climate, biodiversity and natural resources in the medium and long term.

Protecting the environment is not just a common ideal or legal obligation but a group-wide challenge that underpins how we conduct our operations. It also builds a set of values that we share with our stakeholders. LVMH's broad range of businesses and specific issues are widely recognized as one of the Group's defining characteristics. This is both an asset and a challenge. We are constantly challenged by the importance of regulatory changes and the global nature of LVMH, which requires us to anticipate changes in consumption patterns throughout the world and find ways to tailor our innovations to local conditions.

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## 2011 HIGHLIGHTS

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- Working with pilot Maisons – at least one Maison per business group – to implement a strategy to identify key environmental issues and thus better manage the issues involved. Each issue is assigned a set of indicators to monitor the performance of each Maison. The entire process is managed and overseen by the Maison's executive committee and the LVMH executive committee. The program will gradually be extended to all Maisons.

- Successful deployment to all Group Maisons of the new *Cascade* environmental reporting web tool.

- ISO 14001 certification of two Louis Vuitton workshops, one production site, corporate headquarters and the Guerlain stores in Paris.

- Responsible Jewellery Council (RJC) certification for some of the Watches and Jewelry Maisons, including Bulgari, TAG Heuer (plus distribution subsidiaries in the United Kingdom, Japan and the United States), Hublot, Zenith, Chaumet and Fred. Bulgari, TAG Heuer, Chaumet and Fred were certified in 2011 and Zenith in January 2012. Hublot and the Louis Vuitton jewelry business aim to be certified in the first half of 2012.

- Installation of 1,218 solar panels on the roof of the Louis Vuitton San Dimas workshop in California, for a total installed capacity of 286.2 kW, meeting 31% of the site's electricity requirements.

Since 2002 environmental indicators have been verified by the Group's statutory auditors and since 2008 have been based on a reasonable level of assurance. Questions for the Group may be addressed to: [environnement@lvmh.fr](mailto:environnement@lvmh.fr).



## A LONG-TERM VISION

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*The dreams and excitement associated with our brands are aspirations that are universal and transcend time. These aspirations rely on the quality of our products, a quality guaranteed both by the expert way in which they are made and the perpetuation of our skills, and on the talent of the men and women in the Group. Combined with this is the protection of the environment, something that has been taken on board by all the Group's Companies. The quest for an article of exceptional quality, and the desire for authenticity and sustainability are aspects that are more valued than ever in today's world.*

*Our company never stops seeking to increase its value and perpetuate its model of responsible development based on a long term vision shared by every one of us in the Group.*

...

**Bernard Arnault**

*Chairman and Chief Executive Officer*

## AMBITIOUS ACTIONS AND POLICY

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*Each of the Group's Companies has a unique culture which has stood the test of time, in some cases for over two centuries. It is absolutely vital to preserve the uniqueness of these exceptional brands while at the same time steering them in the direction of new ideas and initiatives to accentuate their modern feel. Entrepreneurial spirit, innovation, excellence and creativity are therefore part and parcel of the long-term strategy of our Companies and are present in everything we do, including our environmental policy.*

*The Environmental Department, which will celebrate its twentieth anniversary in 2012, defines the environmental strategy and assists the Companies in implementing initiatives relating to sustainable development. The year 2011 saw many projects. A strategic think-tank process aimed at identifying environmental issues that will strengthen management of environmental issues was rolled out in collaboration with certain pilot Companies such as Hennessy, the Champagne Maisons, Sephora and Guerlain. Louis Vuitton, for its part, completed the installation of the Group's largest photovoltaic power production unit with the roll-out of 1,218 modules on the roof of the San Dimas workshop in California. Bulgari, TAG Heuer, Zenith, Chaumet and Fred were certified by the Responsible Jewellery Council which ensures the implementation of social and environmental best practices in the gold and diamond industries. Other initiatives are described in this 11th Environmental Report and the quality of these projects continues to be underscored by financial bodies which regularly rate LVMH as one of the top companies in terms of performance.*

## FOCUS 2011: TRANSPORT AND SHIPPING



Electric and photovoltaic vehicle at Newton in California.

### Assessing the Carbon Footprint®

Climate change considerations are part of LVMH policy. Since 2002 the Group has assessed the Carbon Footprint® of many of its Maisons: Louis Vuitton, Moët & Chandon, Veuve Clicquot, Hennessy, Parfums Christian Dior, Guerlain, Parfums Kenzo, Parfums Givenchy, Givenchy Couture, Make Up For Ever, DFS, Sephora and Le Bon Marché. To date, all of the Group's major Maisons have completed their reports and are working to implement priority initiatives when it comes to product transport.

The Carbon Footprints® take into account quantitative information relating to emissions that correspond to the following reporting parameters:

- “parameter 1”: emissions directly produced by permanent and mobile sources owned or controlled by the Maison (for instance, emissions from fossil fuels used to heat buildings or from a Maison's vehicle fleet);
- “parameter 2”: indirect emissions related to energy purchased from outside producers, such as electricity or steam;
- “parameter 3”: emissions related to other activities (shipment of goods, employee travel, and so on).

These Carbon Footprints® provide information that can be used to develop appropriate strategies to reduce greenhouse gas emissions. For example, Veuve Clicquot's 2006 Carbon Footprint® showed that 17% of CO<sub>2</sub> emissions were related to transport, particularly champagne, 90% of which is exported. Most of the emissions were from packaging and dry solids purchased from suppliers. By contrast, at Louis Vuitton, transporting goods to some 450 stores worldwide represents one of the main sources of greenhouse gas emissions along with store lighting. The Maisons therefore developed transport solutions to address their specific challenges and local conditions. In 2011, Sephora North America performed a comparative analysis to assess the carbon footprint of freight. The resulting data base will help guide future decisions and negotiations regarding the impact of transport solutions. In partnership with its shipping contractor, Sephora North America also launched a program to offset CO<sub>2</sub> emissions related to the transportation of its products. This program includes a variety of solutions, such as reforestation, carbon capture and storage, waste water treatment and methane recovery.

## FOCUS 2011: TRANSPORT AND SHIPPING

*“Bike in Style” in New York*

Already a sponsor of the “Summer Streets” project, which closes the route between Brooklyn Bridge and Central Park to vehicles during certain periods and makes it available only to green modes of transport, LVMH USA launched an operation in 2009, in cooperation with the Department of Transportation of the City of New York and the Fashion Institute of Technology, to showcase how artistic design can be combined with environmental protection. As part of this “Bike in Style” challenge, design students were asked to

create items that a cyclist would need – poncho, jacket, unisex bag – focusing on style, practicality and affordability. The students were mentored by Donna Karan International, which helped develop the prototypes selected. Chosen from a large number of candidates, the three winners received their award at a ceremony attended by Marion Cotillard, the ambassador for Lady Dior, known for her commitment to the environment.

*Raising employee awareness*

The Group and each Maison organize a variety of awareness campaigns targeted at employees. During European Mobility Week, Louis Vuitton conducted a number of initiatives at all of its French sites, featuring a poster of best practices at each site and circulating an “eco-mobility wheel” – a “Workshop” version and a “Headquarters” version – to make it easier to compare transport modes and identify green options. The campaign was an opportunity to count how many people used carpools, which was more than 60% at the Ducey workshop, and to launch a bicycle challenge, with a prize for the internal department with the lowest amount of CO<sub>2</sub> emissions.

During this same Mobility Week, Guerlain educated its employees about initiatives and resources available to them to reduce CO<sub>2</sub>

emissions resulting from their own travel methods. Since 2010, Hennessy has run eco-driving training programs for its drivers. This training is also part of France’s right to individual training, available to all employees.

As a reminder, in 2005 LVMH signed the European Road Safety Charter drawn up by the Transport Department of the European Commission in Brussels to improve road safety. In ratifying this Charter, the Group committed itself to educating staff in France and at its subsidiaries, as well as the thousands of visitors each year to the Moët & Chandon, Veuve Clicquot, Hennessy and other Group Maison sites, about the importance of adopting a responsible attitude.

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## Supply chain challenges

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For Louis Vuitton's "Green Supply Chain" project, transport and logistics providers are fully integrated in the plan to obtain ISO 14001 certification for the leather goods supply chain. In 2011, the Maison once again called for bids for its international transport. The first selection criterion was based on an analysis of the contractors' commitment to the environment and what progress they have made in this regard. In addition, a logistics loop was established between the various suppliers and the Louis Vuitton workshops to significantly reduce transport flows. In collaboration with a service provider, Louis Vuitton is developing a tool to calculate CO<sub>2</sub> emissions from transporting leather goods across the entire logistics

network. This tool will provide faster and more accurate information about CO<sub>2</sub> emissions per flow and mode of transport.

Local supply solutions are sought whenever possible. Service providers in multiple areas, from maintenance and cleaning to logistics, boxes and waste disposal, are selected for their proximity to the Louis Vuitton workshops or sites. For the Barbera workshops in Spain, leather is purchased from five tanneries located no more than 60 km away. Domestic transport between workshops has thus been reduced by 30%. Similarly, 10% to 15% of the workshops' metal hardware suppliers are concentrated within a 35 km radius.

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## Optimizing packaging

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International and European regulations have led to more stringent environmental requirements in the design and manufacture of packaging, in particular, the volume and weight. Reducing the size of packaging is therefore an underlying transport issue that can lead to lower shipping costs and emission levels.

Louis Vuitton, for example, has found innovative ways to decrease the size of shipments by reducing not only empty space but also outer packaging. All workshops have been sent a tool to help them with packaging decisions. Louis Vuitton has also continued its efforts in this regard by eliminating tissue paper and plastic protection in its cartons for shipments of shopping bags, trunks, pouches, presentation boxes and shoe boxes. In 2010, the leather goods manufacturer produced a report on the Carbon Footprint® of the Neverfull bag, comparing the old and new shipping packaging. The resulting initiatives led to a 60% reduction in shipped volume, representing an annual saving of more than 950 MtCO<sub>2</sub>e (2009 saving: 964 MtCO<sub>2</sub>e). Reduced packaging also cuts down on the number of shipping containers used. For several years Louis Vuitton has been improving packaging so that products

can be shipped from workshops to stores around the world using the same packaging. In 2006, for example, 100 metric tons of cardboard were saved by doing the final packaging of small leather goods at the workshop and making sure the shipping cartons were as full as possible. In addition, the soft paper pouches in which bags used to be inserted prior to packaging have been eliminated. Since the fall of 2010, forty stores in North America have followed the lead of Paris and Tokyo by receiving leather goods and other accessories in reusable plastic containers, rather than in cardboard boxes that can only be used once. Initial results indicate that this has already saved almost 1,200 MtCO<sub>2</sub>e.

Veuve Clicquot also developed the Design Box, a new single-material box made of cardboard from sustainably managed forests (FSC certification), optimized for weight and volume and completely recyclable. Inks, glues and solvents account for less than 5% of the total product weight. Delivered flat in reusable packaging made in Reims, these boxes reduce levels of CO<sub>2</sub> emissions due to transport. The Champagne Maison also uses new, lighter shipping crates, saving a total of 55 metric tons of cardboard per year.

## FOCUS 2011: TRANSPORT AND SHIPPING



Sephora is the first selective retailer to use electric trucks to deliver its French stores.

### Shipping initiatives

For medium- or long-distance shipments, the Maisons make it a priority to reduce the portion sent by air or road. At DFS, for example, the main avenue for improvement has long been the reduction in air freight when shipping goods between suppliers and warehouses. At the Champagne Maisons, air freight has been limited to emergencies only and accounts for less than 1% of shipments. The Maisons thus opt for the most suitable alternative that will generate the least amount of CO<sub>2</sub>. Acutely aware of these challenges, the LVMH group, in partnership with the Orée association and a

network of 200 participants, supported the publication in September 2006 of a guide entitled “Environmental Performance of Shipping and Logistics Practices,” the goal being to analyze the environmental impact of shipping and logistics, propose new methods and illustrate good practices.

**The Maisons favor maritime transport.** This is the case with Louis Vuitton, which has substantially increased the percentage of sea shipments over the last eight years. Similarly, since 2004 it

has been standard practice for Sephora to send shipments to the United States by boat. Today, 90% of finished goods are shipped by this method of transport versus 10% in 2003. Hennessy, which has always had an international market, ships almost 90% of its products by sea. When infrastructure allows, inland waterways are preferred, as in the case of Louis Vuitton and Moët & Chandon, which ship goods for export from Gennevilliers to Le Havre. The Maisons also encourage rail transportation. For its part, in 2003 Louis Vuitton stepped up its use of combined rail/road transport between the Barbera workshop in Spain and the logistics center in Cergy. This resulted in a reduction in CO<sub>2</sub> emissions of 105,400 metric tons in 2003 compared with road transport.

Effective handling of expected change is of major importance and a **managerial challenge**. Since 2008, Guerlain has been using a tool to monitor on a monthly basis the overall percentage of sea transportation for each geographic region and campaign. Results are reviewed by the Maison's Executive Committee. A report of costs and CO<sub>2</sub> emissions compared with the year's target is then sent to all entities. Louis Vuitton, meanwhile, has set its logistics teams a target of 60% for sea freight for Leather Goods flows, while Parfums Christian Dior uses air/sea ratios so that its teams can be extra vigilant and limit air transport to shipments with particularly tight deadlines.

This trend has required the Maisons to rethink their **logistical organization**. Thus, the location of a new building or a logistics supplier becomes a strategic decision for the Maisons as they try to reduce shipping distances when forward planning.

For several years, Louis Vuitton has been analyzing its transportation challenges and has totally overhauled its logistical arrangements. Sales at each store are analyzed almost in real time to better identify customer requirements and anticipate needs. This improvement to the planning and the reorganization of the Cergy logistics center have increased efficiency and offset the additional time required for maritime transportation. Thus, since 2007, 50% of leather goods destined for maritime transport are shipped by inland waterway from Gennevilliers to Le Havre.

For Champagne, a logistics platform shared by all the Maisons optimizes the efficiency of the transport phase and facilitates maximum use of maritime transport (over 90% in metric tons/kilometers). In April 2009, Hennessy moved its logistics platform from Anvers to Le Havre. The benefits were undeniable: increased storage capacity, greater proximity to the Cognac site, improved environmental performance, reduction in shipping costs and an opportunity to use more rail transport.

Road transport is an excellent alternative to air transport for destinations close to the source warehouse. Louis Vuitton's two new warehouses on the East and West Coast of the United States have cut down the need for air freight, which had previously been unavoidable when the sole warehouse was in Memphis, some 1,500 miles from most of the stores supplied. Since this new organization was introduced in 2011, total emissions from air and road shipments have halved (estimated reduction between 2010 and 2011: 46%). By the same token, road freight for Louis Vuitton to Germany and Austria rose from 63% in 2010 to 91% in 2011. This produced emissions savings in Germany and Austria of 844 MtCO<sub>2</sub>e and 550 MtCO<sub>2</sub>e respectively.

For **short-distance shipments**, European cities try to limit goods delivered to town centers and encourage clean forms of transport.

Louis Vuitton therefore opts for electric vehicles when appropriate. An electric vehicle pilot scheme was developed in 2010 and will eventually be extended to all Louis Vuitton sites. Its scope includes delivery of Ready-To-Wear and Shoes to stores in Paris and the supply of leather goods to Printemps Haussman from Cergy. Similarly, Louis Vuitton's corporate headquarters in Paris and New York, and its offices in Switzerland, use a bicycle courier service.

In France, Sephora has been working with transportation company Deret since December 2009 to deliver 80% of its shipments to its 250 stores by electric vehicle. In 2010 and 2011, more than 1,200 MtCO<sub>2</sub>e were saved per year.

For short distances, such as the supply of its Paris stores, Guerlain issued a call for tenders at the end of 2011 for night transport and clean vehicles. At the end of 2011, 50% of courier trips between Guerlain's headquarters in Levallois-Perret and its stores were made by bicycle rather than scooter.

Céline has also increased electric truck deliveries within major urban environments. Electric vehicles are used to supply its stores in Paris in conjunction with GF Services, a company specializing in the transportation of high added value goods and which also collects packaging from stores, thus combining safety, traceability and sustainability.

In 2009, Hennessy and Domaine Chandon California acquired small, solar electric vehicles to transport employees and visitors around the wineries.

## FOCUS 2011: TRANSPORT AND SHIPPING



*Training to ecodriving at Parfums Christian Dior.*

### *Practical solutions for employee travel*

Although it is difficult to include all business travel in the Maisons' Carbon Footprints®, it is nevertheless essential to seek alternative transport solutions and reduce business travel by Holding company conference call meetings whenever possible.

Guerlain has developed a variety of measures under its Business Travel Plan. A carpooling scheme was set up at the Chartres site in 2009 and by the end of 2011, 44 employees were sharing their daily commute. The facility at Chartres has joined forces with two local companies to develop software and a website to advertise carpooling offers and requests for commuting and business travel. For the car fleet owned or leased by the Maison, vehicles may emit no more than 140 g of CO<sub>2</sub>/km and should aim for 120 g of CO<sub>2</sub>/km – a much lower threshold than the European regulatory target of 130 g of CO<sub>2</sub>/km by 2015. Starting in 2012, the Maison will have to include hybrid vehicles in its fleet. Employees who bike to work have a designated bicycle parking area at the headquarters in Levallois-Perret. Lastly, video conferencing and conference-call facilities have been set up at the offices in Levallois-Perret, Chartres, Orphin and Béville-le-Comte to reduce staff travel.

Parfums Christian Dior introduced a Business Travel Plan at its Saint-Jean-de-Braye facility for the period from September 2008 to March 2009. This led to agreements with the Urban Community of Orléans to develop a route and scheduling for two bus lines so that employees who work in teams could use public transport. In 2011, the Maison launched an internal initiative to make some thirty electric bicycles available to employees for commuting and traveling within the site.

Louis Vuitton has embarked on an ambitious program at its facilities around the world to optimize employee travel. In all countries, employees are encouraged to use public transport and clean transport. For example, at Cergy and some other sites, surveys have been carried out to determine the habits and needs of employees in terms of transport methods, travel time, travel distance, and so on. Carpooling and shuttles are now widespread at most workshops. At the Ducey and Sainte-Florence workshops, for example, 60% of employees carpool. Bicycle fleets have been set up to encourage the use of bicycles. In 2009 during Mobility Week, Louis Vuitton published the "Guide to Green Transport in Paris" (bicycles, boats, electric vehicles) and in 2010 reimbursed subscriptions to Vélib' (self-service bike program) for employees at its Paris headquarters. Some sites, such as the Drôme Workshops, have terminals for recharging electric cars. Finally, innovative solutions for remote meetings, such as videoconferencing or, since 2011, telepresence solutions (when a meeting room is recreated using videoconferencing), have been set up so that virtual meetings can be held between several individuals yet still offer the resources of an actual meeting room.

Hennessy has invested in green vehicles as part of its Carbon Footprint® "internal transport" action plan aimed at reducing its greenhouse gas emissions. In 2011, it introduced four hybrid vehicles and four electric vehicles into its fleet.

## A GROUP-WIDE STRUCTURED APPROACH



### A GROUP-WIDE STRUCTURED APPROACH

A clear vision of the issues involved

Appropriate organization and commitment

Tools and key management processes

An efficient environmental management

Set up in 1992, the Environmental Department defines the Group's strategy and as such reports both to Pierre Godé, Vice Chairman of the Board of Directors, and Antonio Belloni, Group Managing Director of the Executive Committee. The strategy is based on a clear analysis of the issues involved. It is implemented throughout the Group by means of various

commitments and focuses on processes, programs and initiatives that support the actions of each Maison. The Environmental Charter signed by Bernard Arnault in 2001 embodies and updates the vision of the LVMH group on integrating environmental protection into its businesses.

#### A CLEAR VISION OF THE ISSUES INVOLVED

##### ANALYSIS

Like any human activity, the businesses of the LVMH group have an impact on the environment that varies in type and magnitude depending on the sector. The challenges faced by each business have been clearly identified.

**ANALYZING THE MAIN CHALLENGES OF EACH BUSINESS GROUP**

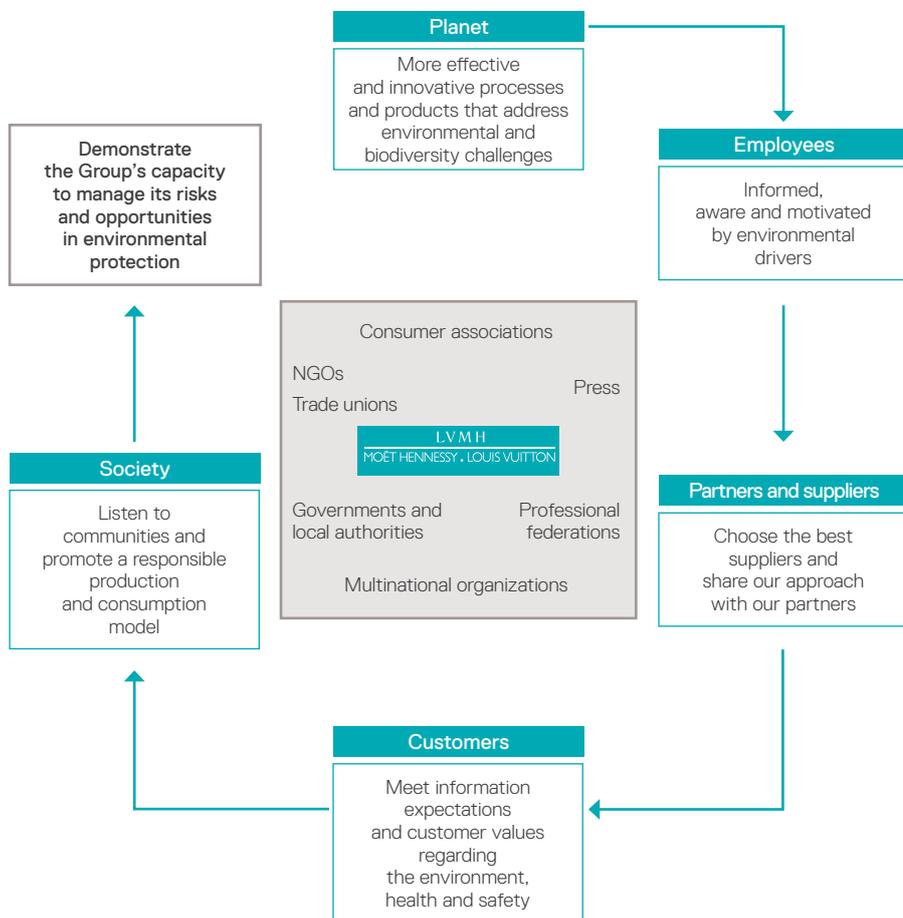
	<i>Wines &amp; Spirits</i>	<i>Fashion &amp; Leather Goods</i>	<i>Perfumes &amp; Cosmetics</i>	<i>Watches &amp; Jewelry</i>	<i>Selective Retailing</i>
<i>Saving energy resources and combating climate change</i>	<ul style="list-style-type: none"> <li>· Packaging production.</li> <li>· Distillation.</li> <li>· Transportation of product shipments.</li> </ul>	<ul style="list-style-type: none"> <li>· Store lighting and air-conditioning.</li> <li>· Transportation of product shipments.</li> </ul>	<ul style="list-style-type: none"> <li>· Packaging production.</li> <li>· Transportation of product shipments.</li> </ul>	—	<ul style="list-style-type: none"> <li>· Store lighting and air-conditioning.</li> <li>· Transportation of product shipments.</li> </ul>
<i>Protection and saving of water resources</i>	<ul style="list-style-type: none"> <li>· Water consumption (irrigation of vines in Australia, New Zealand, Argentina and California).</li> <li>· Production of effluents containing organic matter during wine-making and distillation.</li> </ul>	—	<ul style="list-style-type: none"> <li>· Protection and saving of water resources.</li> </ul>	—	—
<i>Protection of ecosystems and natural resources</i>	<ul style="list-style-type: none"> <li>· Particularly plant resources (vines) required for production.</li> </ul>	<ul style="list-style-type: none"> <li>· Particularly plant resources (textile fibers) required for production.</li> <li>· Leather.</li> </ul>	<ul style="list-style-type: none"> <li>· Particularly plant resources required for production.</li> </ul>	<ul style="list-style-type: none"> <li>· Packaging.</li> <li>· Stones and precious metals.</li> </ul>	—
<i>Waste recovery</i>	<ul style="list-style-type: none"> <li>· Wine-making and distillation processes.</li> </ul>	—	—	<ul style="list-style-type: none"> <li>· WEEE (Waste from Electrical and Electronic Equipment, such as batteries).</li> </ul>	—
<i>Reduction of the impact of production and transformation of raw materials, particularly through eco-design</i>	<ul style="list-style-type: none"> <li>· Packaging.</li> </ul>	<ul style="list-style-type: none"> <li>· Packaging.</li> <li>· Cotton and other textiles, leathers.</li> </ul>	<ul style="list-style-type: none"> <li>· Packaging.</li> <li>· Constituents of perfumes and cosmetics.</li> </ul>	—	—

**RISK MANAGEMENT AND COMPLIANCE**

**Overall risk management measures:** analyzing and monitoring changes in the issues involved are underpinned by an environmental risk management policy based on four key areas of focus: the systematic

identification of risk using a mapping tool and common standards; the prevention of product-related risks (HACCP/Hazard Analysis Critical Control Point method, legal watch) and the reduction of industrial risk; the protection of people and property; and a system of crisis management. With regard to the program to monitor industrial

## DEVELOPING THE KEY DRIVERS OF ENVIRONMENTAL ACTION



## BEST PRACTICES SUPPLIERS

- **Louis Vuitton:** The successful upstream integration of relationships with suppliers is based on a two-pronged approach: awareness and regulation. For Louis Vuitton, suppliers in the broad sense of the word (i.e., product manufacturers, shippers and contractors), particularly those associated with the leather goods chain, are strongly encouraged to obtain ISO 14001 certification. This creates a dynamic that encourages a growing number of suppliers to commit to environmental initiatives. Examples of this include the installation of solar panels by one of our partner tanneries, reclamation of production waste (waste-to-energy recovery from residues used for merchandising or for certain products), waste water treatment, green roofs at two suppliers in Asia, and the implementation of clean technologies to reduce water pollution during tanning operations. In terms of methods and organization, it is now standard for internal control to include a questionnaire on “environmental practices.” As part of local regulatory monitoring, the legal department provides support in multiple areas such as waste, eco-taxes, transport, energy (e.g. store lighting and light pollution), noise, water, and more. Meanwhile, a specific product working group has been tasked with drafting specifications for a substance monitoring tool.

- **Loewe** has adopted an “environmental compliance program” with the help of a specialist firm. The program primarily provides information about regulations and implements an improvement plan called “zero legal non-compliance,” which serves as a basis for the auditing of three Spanish production sites.

and environmental risks, 30 sites were audited in 2011 (the same number as in 2010). Some Maisons are bringing their sites into regulatory compliance, particularly those classified for environmental protection. For example, Guerlain, Loewe, Louis Vuitton and MHCS have developed tools that monitor and analyze potential non-compliance with regulations in areas such as water treatment and discharge, waste storage, application of the WEEE European Directive (waste electrical and electronic equipment), storage of chemical products, fire protection, and so on.

**Supplier relationships:** with regard to its supplier relationships, LVMH requires its partners to subscribe to its Supplier Code of Conduct by virtue of which it reserves the

right to conduct compliance audits at any time and without notice. Thus, in 2011, 453 social and/or environmental audits were conducted at 346 suppliers of the Group’s Maisons. Of these, 80% were conducted by external auditors. For example, as part of its approach to sustainable purchasing, Hennessy educates its suppliers and outside contractors about environmental matters, assists them with their environmental initiatives and assesses their progress, particularly that of suppliers of dry solids, who are assessed annually. For the Perfumes & Cosmetics business group, the entire jasmine sector is audited. This issue is examined in more detail on page 11 of the Annual Report.

**BEST PRACTICES SUPPLIERS**

- **Guerlain** actively manages its supplier relationships on a number of levels. All calls for tender include a paragraph formally setting out what is expected of contractors in terms of their commitment to sustainable development. A questionnaire has also been sent to more than 80% of strategic suppliers to assess their environmental and social practices. Finally, a special audit was performed on one of the Maison's strategic suppliers.

- **Hennessy** organized the first Hennessy Technical Forum at its winery for its wine-growing partners. The event was designed to meet wine-growers' increasing need for technical information on sustainable development and provided examples of effective solutions. The program included topics such as the carbon footprint® of cognac production, the use of weather stations in managing phytosanitary treatments, methane fermentation of distillation vinasse, energy savings during the distillation process (new-generation gas burners) and phytosanitary effluent treatment. Almost 500 partners attended the forum, which featured talks, workshops and individual networking sessions.



The Guerlain Sustainable Development Committee.

**SPECIFIC INTERNAL ORGANIZATION AND COMMITMENTS**

**COMMITMENTS**

International charters and agreements signed by LVMH provide the framework for the initiatives led by the Group and its Maisons. The "Environmental Charter" signed by Bernard Arnault in 2011 defines the LVMH group's goals and dynamics.

**ORGANIZATION**

The main goal of the internal organization adopted by the Group is to harness the commitment of all Group personnel and train staff by offering them resources best suited to their particular situation.

The Group's Environmental Department has been a driving force behind this shared

vision since 1992. Its tasks consist of supporting the Maisons in their respective initiatives, ensuring that the Environmental Charter is observed, and running the Environment Committee, which brings together a network of some 50 environmental correspondents from the Maisons several times a year. The Environmental Department also runs a variety of specialist in-Maison working groups which deal, for example, with the European REACH regulation, eco-design and energy consumption in stores.

Although the Maisons are represented within the Group's Environment Committee agent network, they also have their own steering committees. Each Maison has additional means, depending on local conditions and the size of its in-Maison projects.

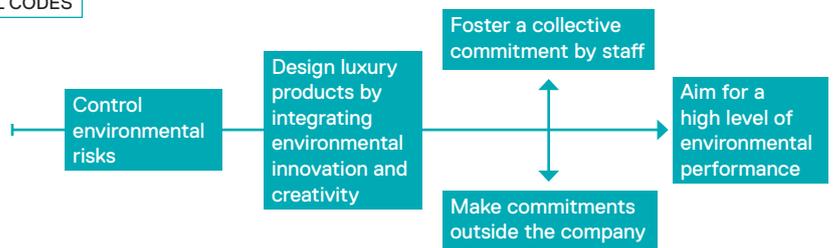
In 2011, for example, Louis Vuitton increased the resources dedicated to

**COMMITMENTS SIGNED**

- United Nations Global Compact (2003)
- Gordon Brown's "Millennium Development Goals" (2007)
- Watches and Jewelry Maisons members of the RJC (Responsible Jewellery Council)

**CHARTERS AND INTERNAL CODES**

- **Environment Charter (2001)**
- Supplier Code of Conduct (2008)
- Code of Conduct (2008)



**THE ENVIRONMENTAL CHARTER SIGNED BY BERNARD ARNAULT IN 2001 EMBODIES THE VISION OF THE LVMH GROUP ON INTEGRATING ENVIRONMENTAL PROTECTION INTO ITS BUSINESSES**

<p><i><b>Aim for a high level of environmental performance</b></i></p> <p>In developing its businesses internationally, LVMH works to align its own practices with those that offer the best level of environmental protection around the world.</p>	<p><i><b>Foster a collective commitment</b></i></p> <p>The environment is the responsibility of every individual, and LVMH believes that awareness, education and training of its employees are top priorities. To ensure a high level of environmental performance, the Group believes it is vital for each company to set precise environmental targets and implement a management system dedicated to this process.</p>	<p><i><b>Control environmental risks</b></i></p> <p>In addition to the most stringent compliance with environmental regulations, which is an absolute duty, the Group intends to focus on risk prevention. As a result, it allocates human and material resources to this goal.</p>	<p><i><b>Design products by integrating environmental innovation and creativity</b></i></p> <p>Guided by its overriding concern for high quality, LVMH is working to improve control and better anticipate the environmental aspects related to the life cycle of its products. LVMH encourages all processes that result in environmental innovations and accepts its duty to exercise prudence and take precautions to ensure total safety for the consumer.</p>	<p><i><b>Make commitments outside the company</b></i></p> <p>LVMH intends to contribute to the protection of the environment above and beyond the aspects directly related to its own businesses. Because it considers that promoting respect for the environment is essential, LVMH is developing an active partnership with groups of businesses, local communities and the associations which contribute to this objective.</p>
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environmental issues. In North America, fifteen individuals and seven working groups are tasked with supporting ongoing initiatives. In the Asia-Pacific region, a steering committee was set up to focus on four key areas: recycling of office waste, internal communications, energy consumption reduction and eco-gestures in the office. A “CSR Ambassador” is currently being appointed to cover China and Japan, and various working groups have been set up to focus on training, communications, press, and so on.

For its part, Guerlain has its own Sustainable Development Committee, with 15 members as at the end of 2011 drawn from all company departments.

Some Maisons publish their own sustainable development or corporate responsibility reports for internal or external use. In

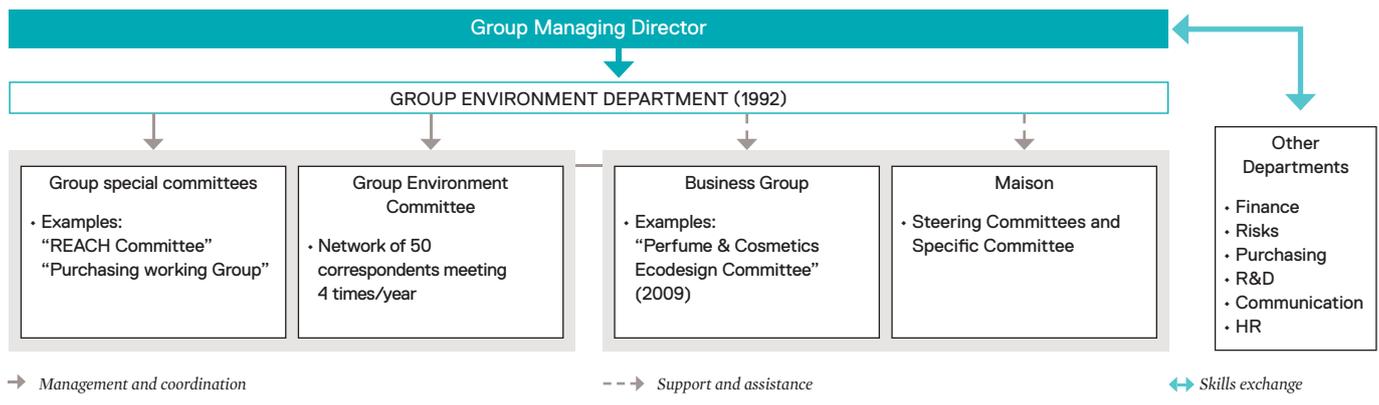
2011, Loewe’s Executive Committee decided to publish an internal report in 2012.

The LVMH Mind website reports on the Group’s principles and initiatives in matters of Environmental and Corporate Social Responsibility including diversity, equality, ethics, environmental protection and responsible procurement. The site is available to all Group employees and is both an information resource and a collaborative working tool for the environmental correspondents. It is also a means for employees to receive newsletters and subscribe to newswatches.

training in this area. In 2011 more than 15,602 training hours were devoted to this purpose. The new initiatives being implemented are extremely diverse and range from the creation of specific training modules at Hennessy, to site visits, study trips to La Samaritaine department store in Paris, evaluation questionnaires and performance scoring in the Champagne Maisons. During Europe’s “Green Week,” informational flyers were given to all Group employees to promote each Maison’s energy initiatives with regard to lighting, shipping, renewable energy and heating/air-conditioning. This event was also an opportunity to seek suggestions from staff and assess their feasibility.

**AWARENESS AND TRAINING**

The Group’s Maisons raise staff awareness of environmental issues and provide



### INVOLVEMENT OF THE MAISONS IN SUSTAINABLE DEVELOPMENT EVENTS

The “European Sustainable Development Week” (April 1 to 7, 2011) is an annual event that raises awareness in France of sustainable development issues and encourages people to act more responsibly. The 2011 edition was an opportunity for many of the Group’s Maisons to showcase their commitment and actions, which included:

- circulation of a web-based brochure and sustainable development quiz at Guerlain;
- initiatives on the theme, “Let’s Change our Behavior and Help Reforest the Earth” at Le Bon Marché, La Grande Épicerie and Franck & Fils;
- a presentation on changes in wine-growing practices, on specific eco-design examples, and on the challenges related to corporate social responsibility in the Champagne Maisons;
- the 6<sup>th</sup> Sustainable Development Week at Louis Vuitton corporate headquarters;
- events based on the theme “International Year of Forests” (Hennessy);
- circulation of a sustainable development newsletter to all Kenzo Parfums employees.

Some Maisons, such as Louis Vuitton, were also involved in other international environmental events: “World Water Day” on March 22, 2011 and “World Environment Day” on June 5, 2011. The Maison organized “Earth Hour” on March 26, 2011 for

the China region and a second edition of the environmental challenge, “Earth Day Corporate Contest,” at the North American corporate headquarters on April 22, 2011.

During “European Week for Waste Reduction” from November 19 to 27, 2011, two talks were held at the Paris Region offices of LVMH Fragrance Brands on “Sorting and eco-design in our Perfumes and Cosmetics industry.” At the same time, Guerlain set up new sorting facilities at its headquarters in Levallois-Perret for coffee capsules, plastic bottles, cans and other refuse, end-of-life products, testers and perfume and cosmetic packaging. These facilities supplemented the existing facilities for sorting paper and cardboard, batteries, printer cartridges, and so on. To raise awareness and assist employees, Guerlain established a waste-sorting procedure and produced a “Sorting Guide,” explaining how to sort the various types of waste.

Some Maisons organized events as part of European Mobility Week, which took place from September 16 to 22, 2011 (see “Focus 2011: Transport and Shipping”).

### KEY MANAGEMENT AND EXTERNAL CERTIFICATION PROCESSES

In 2011, LVMH collaborated with a number of pilot Maisons – at least one per business group – to devise a strategy for identifying key environmental topics to strengthen its management of the environmental challenges involved. Each topic was assigned a set of indicators so that the performance of each Maison could be monitored. This initiative is managed and monitored by the executive committee of each Maison and by the executive committee of LVMH. It will gradually be introduced in all Maisons.

To comply with Group strategy, the Maisons may need to devise additional tools that take account of their own specific challenges and activities. Loewe, for example, has adopted a “Vision 2020” road map that covers multiple areas related to risk prevention and mitigation, cost savings, innovation, value creation, image protection and image promotion. More than 150 people



### BEST PRACTICES TRAINING AND INTERNAL SKILLS EXCHANGE

- In 2011, Hennessy introduced new environmental training modules for staff, particularly those involved with maintenance, distillery operations and cooperage. It also introduced overall awareness training for new hires.
- Bodegas Chandon launched an internal communications campaign addressing the challenges of food safety and Health & Safety.
- Belvedere organized a seminar for employees and suppliers, in conjunction with some scientific bodies (a university and the Institute of Soil and Plant Cultivation), to promote best practices in rye cultivation. The main purpose was to analyze the comparative impact of various grades of rye and to gain a better understanding of eco-cultivation.
- Make up For Ever set up “Environment Stops” at its five sites and ran awareness campaigns for Packaging & Marketing Development staff on the challenges of eco-design.
- The Champagne Maisons introduced a number of initiatives, including training and awareness-raising, for all personnel (permanent and seasonal) on the environment and food safety. It also issued assessment questionnaires and established a system to monitor water and energy consumption.





The "Napa Green Certified Winery" certification at Domaine Chandon California.

were involved in working groups and various reviews that led to the definition of a program to take account of all of the company's operations. It is based on seven key business aspects: employee commitment, product durability, sustainable leather, responsible selling, stakeholder dialogue, responsible and energy-efficient operations, and a responsible supply chain.

#### ENVIRONMENTAL MANAGEMENT SYSTEMS

One of the major components of the Environmental Charter adopted in 2011 requires each Maison to establish an environmental management system as part of a management-driven policy. At the end of 2011, 46% of manufacturing, logistics or administrative sites were ISO 14001-certified, and 27% had been audited. In all, 49 external and 95 internal audits had been performed, with some sites audited several times during the year.

The entire Champagne-Cognac-Vodka division is also ISO 22000-certified in food safety management. The aim of this certification is to standardize food safety management practices and guarantee maximum safety for the consumer.

#### ISO 14001 CERTIFICATION AND SMES

Louis Vuitton continues its ISO 14001 certification efforts after obtaining certification for its logistics sites in France, the Paris headquarters at Pont-Neuf and the workshop in Barbera. Certification plans include for all workshops, the downstream supply chain and regional headquarters.

**The Champagne Maisons** (Moët & Chandon, Dom-Pérignon, Mercier, Ruinart, Veuve Clicquot and Krug), MHCS, obtained the renewal of their ISO 22000 certification and are also ISO 14001-certified. In addition to introducing a tool to monitor regulations and non-compliance, MHCS completed the standardization of its Environmental Management system. Specifically, it created and implemented a computerized management tool for improvement initiatives and created and implemented a single document management database (ISO 22000, ISO 14001, HQE). It also standardized the hazard analysis (HACCP) for all Champagne Maisons.

#### BEST PRACTICES TRAINING AND INTERNAL SKILLS EXCHANGE

- Louis Vuitton increased some of its training and internal communications initiatives, particularly those involving a correspondents' network. In 2011 it organized two seminars on "Carbon Footprints" and "ISO 14001," featuring outside specialists and site visits. The Maison has furthermore set up a broad array of tools to meet the challenges involved in ISO 14001 certification, specifically:
  - regular employee awareness campaigns at all Maison sites; as such, more than 700 training hours were conducted at the Sainte-Florence workshop and 111 training hours at the Barbera workshop;
  - the design of a fun training module for immediate use by workshops as part of the SIRIUS project to obtain ISO 14001 certification for the leather goods workshops;
  - training of internal auditors in ISO 14001.
- Guerlain holds training sessions for all employees. Members of the Sustainable Development Steering Committee thus received training so that they in turn could pass on their knowledge to more than 800 employees. To supplement this training, head office employees and stores were given an ISO 14001 passport. The International Seminar, an annual event focusing on marketing challenges, took place in April 2011 and included an environment track in its plenary program. Other events, such as the "Auteuil Greenhouses Convention" in June 2011 and the "Chic & Green" competition for all Guerlain employees around the world, promoted ecology and biodiversity initiatives.





**BEST PRACTICES BUILDINGS**

• Sephora US has embarked on a LEED (Leadership in Energy and Environmental Design) certification program involving sixteen of its stores. Although the goal is not to obtain certification as a matter of course, the Maison nevertheless draws broadly on the methods and recommendations of LEED certification when opening or renovating a store.

• In 2011, Château Cheval Blanc, a Saint-Emilion Premier Grand Cru, officially opened its new wine cellars, built according to a design developed by Christian de Portzamparc, the renowned architect and winner of the Pritzker Prize in 1994. The cellar has been awarded HQE® certification as a result of the materials used and efforts it is making in water, energy and waste management, humidity control and employee wellbeing.



Aerial view of the future Samaritaine.

The environmental policy of **Domaine Chandon California and Newton** is based on “Napa Green Certified Winery” certification. This certification, offered by an independent third party, represents the most comprehensive best practices in wine-industry production in the United States. The control scope focuses on a commitment to conserving water and energy, preventing pollution and reducing waste.

ISO 14001 certification was the main environmental goal in 2011 for Guerlain’s production sites, headquarters and six Paris stores. Although steps toward certification began at all sites in 2010, the certification audit did not take place until the end of November 2011 for the Chartres site and early December for the Levallois-Perret site and the Paris stores. With regard to the production center in Orphin, the certification audit is expected to take place in June 2012. More than 800 employees received training during internal training sessions and all Guerlain employees were given an ISO 14001 passport. As a result, all Guerlain sites and operations will be certified as of 2012.



The sustainable development charter of Guerlain.

**BUILDING STANDARDS**

Most of the LVMH group’s new construction or renovation projects, whether industrial sites, warehouses, stores or administrative offices, now incorporate environmental criteria. For construction, renovation and building operation, the Maisons apply various standards and certifications such as HQE®, BBC, BREEAM and LEED. In the last ten years, more than 28 buildings have been built to these standards.

The design of the renovation project of La Samaritaine in Paris includes 70,000 m<sup>2</sup> (753,474 sq.ft) of amenities comprising a hotel, shops, social housing, offices, car parks and a 60-cot children’s daycare

center. This extensive program was developed in cooperation with the City of Paris as part of its Climate Plan and reflects a stringent approach to urban ecology that calls for:

- environmental certification (France’s “Bâtiments tertiaires – Démarches HQE® Bureau and HQE® Commerces”) and the BBC label for the offices and shops;
- the “Heritage, Habitat & Environment” standard, and the BREEAM and LEED standards for offices, shops and the hotel;
- the low-consumption building label, BBC-Effinergie/Rénovation Logements.

To meet energy reduction targets, a strict ceiling has been set for both the renovated portions (Very High Energy Efficiency standard: 80 kWhPE/m<sup>2</sup>/year) and the new portions (BBC-Effinergie low-consumption standard: 50 kWhPE/m<sup>2</sup>/year). The plans provide for lining the historical facade with an interior facade, creating winter gardens to improve the thermal and acoustic comfort of the premises, and the inclusion of solar thermal panels. The project must meet rigorous low- nuisance standards that respect local residents and are based on a waste sort/recovery target of 75%.

The project to build the Louis Vuitton Foundation for Creation Museum was launched in 2011. The museum was designed by architect Frank Gehry and is under construction in the heart of the Bois-de-Boulogne. It applies exemplary standards and technologies taken from a “Museum” high environmental quality pilot program. It is a consummate project by virtue of its many architectural features (geothermal energy, materials bearing the NF Environnement label and European Ecolabel). In terms of waste management, there are five sorting facilities for jobsite

waste with very high targets for recovery and recycling. Water and electricity consumed by jobsite trailers and the site itself have been closely monitored since the project began. A newsletter (“Journal HQE®”) has been circulated to workers and staff to raise awareness about environmental quality, and information has been posted covering various aspects of the HQE® approach. In an effort to control the environmental characteristics of the materials used at the site, more than 600 licenses have been obtained for the products concerned. Monitoring is reinforced by monthly visits focusing on environmental protection measures. Finally, the Carbon Footprint® of key specific items is updated as the work progresses.

#### RESPONSIBLE JEWELRY AND CERTIFICATION

The Watches & Jewelry business group of LVMH is a member of the Responsible Jewellery Council (RJC), an organization of more than 160 professionals around the world committed to the promotion of ethics, human and social rights and environmental practices throughout the product chain, from the mines to the points of sale. The RJC has developed a certification system for members involved in gold and diamond work which requires audits by accredited independent auditors. The certification scope within the Watches & Jewelry Maisons includes Bulgari, TAG Heuer, Hublot, Zenith, Chaumet and Fred. Bulgari, TAG Heuer, Chaumet and Fred are RJC-certified. Zenith was certified in January 2012, while Hublot and Louis Vuitton’s jewelry business aim to be certified in the first half of 2012.

#### BEST PRACTICES BUILDINGS

- Ambitious targets have been set for the extension of the Moët & Chandon Montaigne site. They include implementing the “High Environmental Quality® Buildings” pilot program, adopting the THPE high energy performance label for the winery, and meeting the BBC standard for offices and administrative premises.

- Some the best practices implemented by Louis Vuitton are showcased in the new leather goods workshop in France’s Drôme region. An audit showed the premises met the criteria for high environmental quality HQE®. Perfectly integrated into the environment so as to preserve the configuration of the original site, the workshop has France’s largest industrial green roof (5,000 m<sup>2</sup>). The green roof has a system for capturing rainwater which is then used to water flower beds during spells of very hot weather. The steepest part of the land has been landscaped to incorporate a self-sufficient sanitation system. Waste water is purified by filter basins planted with anti-pollution plants. Windows and skylights allow natural light into the building, while thermal insulation is provided by the green roof and the use of heat pumps. The site’s heating is managed entirely by natural processes without the need for conveying gas and oil to the site. Solar thermal panels also cover the workshop’s hot water needs. Furthermore, materials have been carefully chosen to create quiet areas in the workshop. Lastly, the site features solar panels for lighting in the parking areas and recharging terminals for electric cars. These combined efforts help reduce overall energy consumption at the site by 43% compared with the most recently built workshops.

# MANAGEMENT OF ENVIRONMENTAL IMPACTS



## MANAGEMENT OF ENVIRONMENTAL IMPACTS

Site management and resource saving  
Product design and product life-cycle management

Emission and waste prevention reduction

Impact reduction

Assessing environmental, health and safety impacts requires a two-pronged approach: first, site and production cycle management, and second, product design and product life-cycle management. Since 2011, the Group has carried out comprehensive measures to incorporate key environmental indicators in Maison and Group strategy.

### RESOURCE-SAVING INITIATIVES

In 2011, the companies included in the reporting scope consumed 554,354 MWh, broken down by energy source as follows: 67% electricity, 19% natural gas, 6% heavy fuel, 5% fuel oil, 1% butane-propane, 1% steam and less than 1% renewable energy

sources. In descending order, this consumption was attributed to Selective Retailing (36%), Wines & Spirits (30%), Fashion & Leather Goods (19%) and Perfumes & Cosmetics (11%). The remaining 4% was generated by Watches & Jewelry and other Group activities. The energy consumption of the sales areas excluded from the reporting scope (60%

of the total sales area) is estimated at 315,972 MWh.

**ENERGY USE**

**Energy savings:** After completing Carbon Footprint® assessments (see page 29) and energy audits, the Maisons embarked on a series of initiatives with regard to store lighting and air conditioning, transportation, energy efficiency and the promotion of renewable energy sources. The Carbon Footprint® produced by Louis Vuitton for its businesses and activities identified four key areas for action: energy consumption in stores, freight, raw materials used (leather, canvas and other textiles) and the employee travel policy. As part of the goal to reduce overall energy consumption, each workshop conducted an energy audit which led to the development of energy-reduction measures such as the installation of sub-meters (for water, gas and electricity) to identify excessive consumption more easily. At the Parfums Christian Dior production site in Saint-Jean-de-Braye, new compression equipment was installed to recover and re-use (for heating and domestic hot water) more than 60% of the heat emitted during operations.

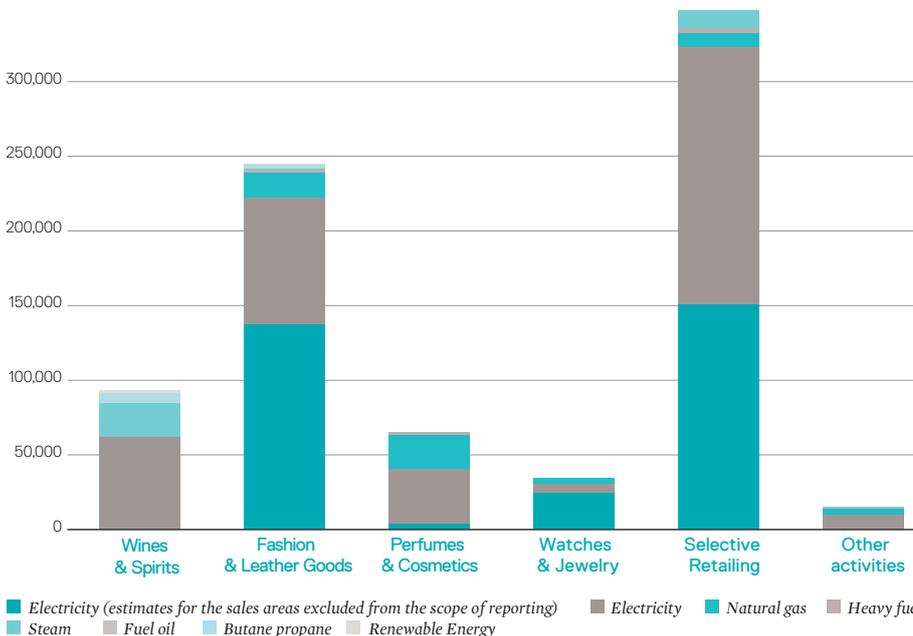
**Renewable energy:** Among the most significant projects was the installation by Louis Vuitton of 1,218 solar panels on the roof of the San Dimas workshop in California, for a total installed capacity of 286.2 kW, meeting 31% of the site’s electricity requirements. For the new European warehouse, which is fitted with a photovoltaic membrane, electrical power generated by renewable sources ended up being higher than expected. By the end of September 2011, more than 100 MWh had been produced, i.e., the equivalent of 43% of the power consumed by the new building. Finally, solar panels have also been fitted to the facade of the store on the island of Guam.

**BEST PRACTICES ENERGY**

- Louis Vuitton is developing a variety of innovative solutions in Green IT. Since early 2011, some of the servers have been virtualized, reducing electricity consumption by 66%. Some forty obsolete servers have been replaced by eight virtualization servers. The technology allows for several operating systems to run on just one physical machine instead of several. Some sites automatically shut down computer equipment at night and weekends. In the United States, this practice has led to energy savings of 48,118 kWh and won the in-Maison “Earth Day Corporate Contest.”

- The Champagne Maisons have embarked on an energy efficiency program that applies to their full reporting scope but with particular focus on industrial buildings. The goal is to distinguish the main areas of energy consumption, identify sources of energy savings, and develop an energy policy and master plan for short- and medium-term energy investment. Among the most significant initiatives are the recovery of energy from the Cuverie Bernon [fermenting room] industrial chillers for an annual gain of 1 MWh, the installation of low-temperature, high-condensing boilers at the Crayères and Mercier sites, and the ongoing eco-lighting initiatives at the Moët & Chandon sites.

**ENERGY CONSUMPTION BY SECTOR AND BY SOURCE IN 2011**



**BEST PRACTICES ENERGY**

- Belvedere, in Poland, has begun a program to save energy and reduce the volume of CO<sub>2</sub> emissions by 40% over five years. The program is designed to optimize steam production processes during distillation by re-using the heat produced by air conditioning and heating, and by adapting the boiler room to new sources of energy, such as natural gas. This is expected to reduce energy consumption and CO<sub>2</sub> emissions by 5% and 20% respectively.

- Following two energy audits conducted in 2010 at Cape Mentelle, a new refrigeration and heat recovery system was introduced that resulted in a 15% energy saving in 2011 compared with 2010, despite a slight increase in the tonnage of fruit treated.

For 2012, the goal is to save an additional 10%.

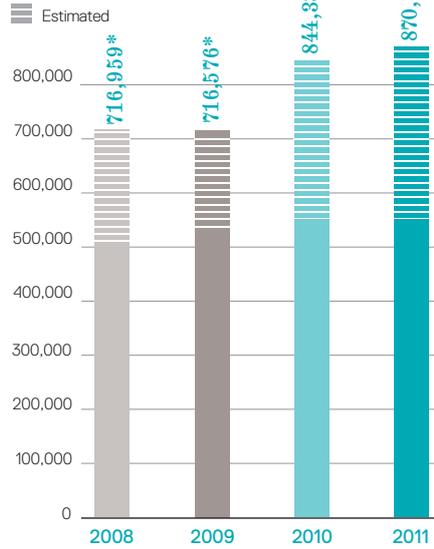
**MARKET-BASED INSTRUMENTS**

Introduced in France on January 1, 2006 as part of Law No. 2005-781 (also known as

the “POPE law”) of July 13, 2005 stipulating France’s energy policy guidelines, the energy savings certificate scheme entered its second phase on January 1, 2011 for the period 2011 to 2013, when the pace of the program is expected to be stepped up and higher targets achieved.

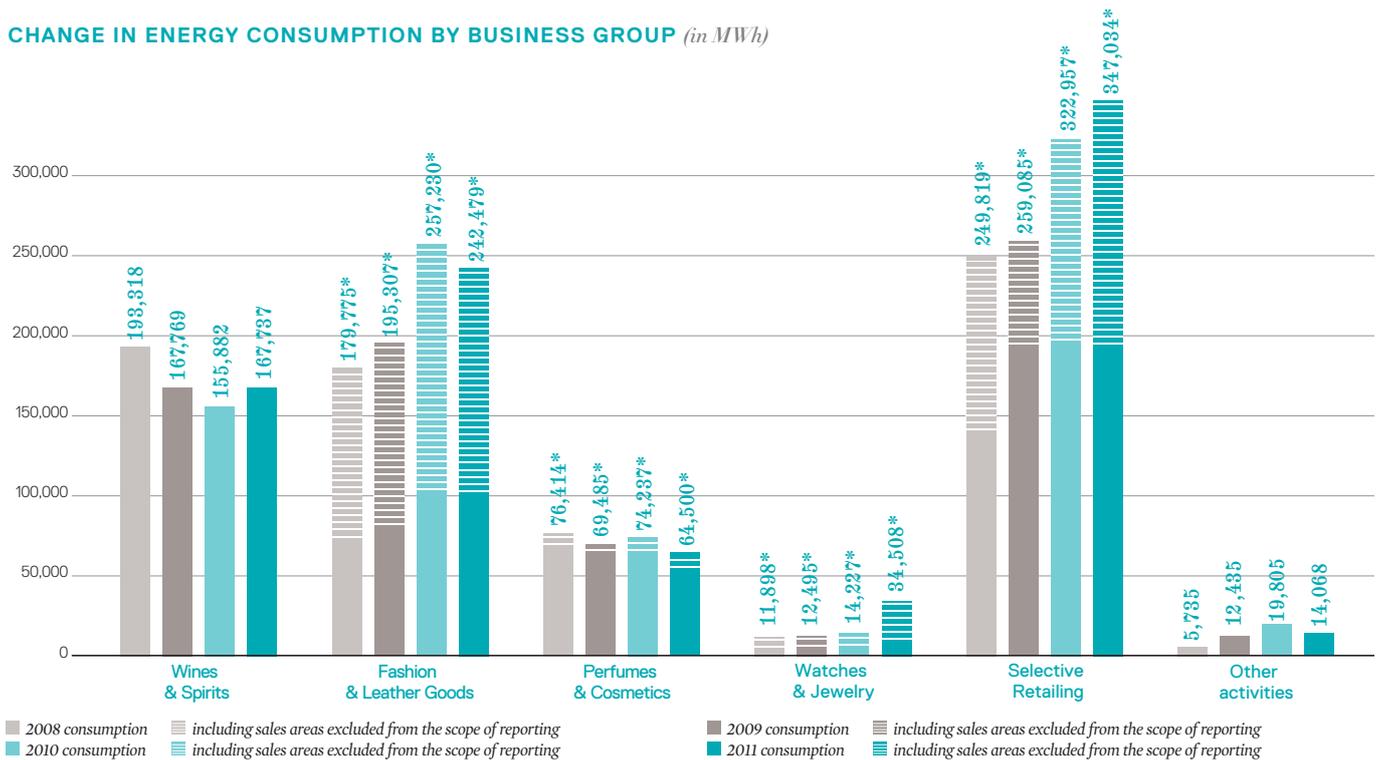
As the LVMH group is no longer eligible for the new system, it formed a partnership in August 2011 with a “required” stakeholder, Géo PLC, which will be responsible for facilitating the creation of energy savings certificates from lifetime cumulative savings (in kWh) achieved as a result of the work undertaken by the Maisons in France. Since this date, LVMH has been recording operations likely to be eligible in respect of 2011 and will ensure that for the period 2011 to 2013 energy saving measures meet the technical eligibility criteria for operations.

**CHANGE IN ENERGY CONSUMPTION (in MWh)**



\* Estimates of energy consumption for sales areas excluded from the scope of reporting and audit (60% in 2011, 60% in 2010, 50% in 2009 and 62% in 2008) are shown separately: 315,972 MWh in 2011, 289,913 in 2010, 180,638 MWh in 2009 and 214,163 MWh in 2008. The increase in 2011 is mainly related to the opening of new stores.

**CHANGE IN ENERGY CONSUMPTION BY BUSINESS GROUP (in MWh)**



\* Estimates of energy consumption for sales areas excluded from the scope of reporting and audit (60% in 2011, 60% in 2010, 50% in 2009 and 62% in 2008) are shown separately

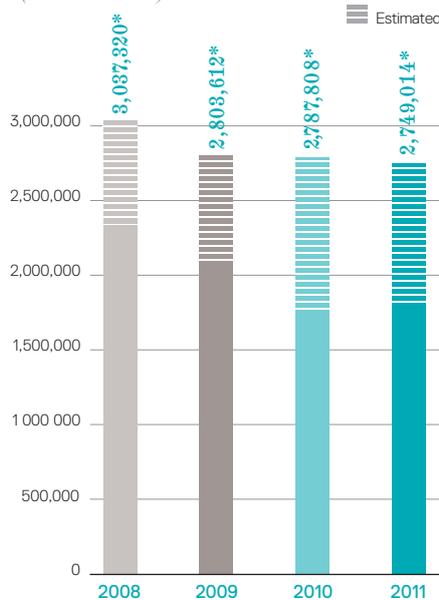
**WATER SAVINGS**

Water is a critical resource for the LVMH group's operations, particularly in Wines & Spirits and Perfumes & Cosmetics. There are two very distinct water requirements: one is for agricultural use and the other for industrial use. This challenge has given rise to a broad array of initiatives, including the implementation of measurement protocols, improved consumption management and monitoring, storm water recovery and optimal irrigation methods for wine-growing areas and green spaces. In 2011, the Group's Maisons used 6,618,614 m<sup>3</sup> of water for agricultural purposes, primarily vine irrigation (6,521,146 m<sup>3</sup> in 2010). In 2011, process requirements accounted for 1,816,716 m<sup>3</sup> (versus 1,734,339 m<sup>3</sup> in 2010). It should be noted that 74% of sales areas (Selective Retailing, Fashion and Leather Goods, Perfumes & Cosmetics and Watches & Jewelry) are excluded from the reporting scope, but their water consumption is estimated at 932,298 m<sup>3</sup>. LVMH has participated in the CDP Water Disclosure program since its launch.

The Wines & Spirits Maisons are particularly committed to water management

initiatives. Bodegas Chandon in Argentina measures its water consumption and has an overall reduction target of 10% for 2012.

**CHANGE IN WATER CONSUMPTION**  
(in cubic meters)

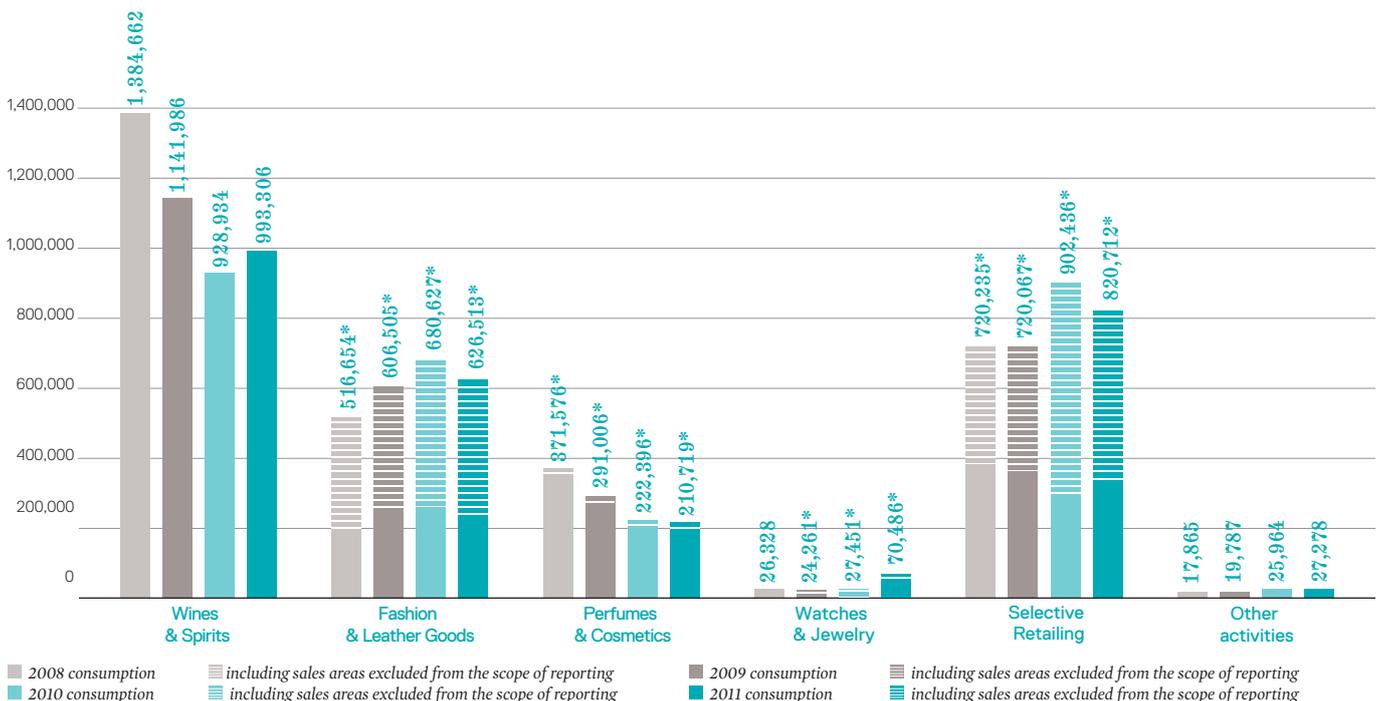


\* Estimates of water consumption for the sales areas excluded from the scope of reporting and audit (74% in 2011, 83% in 2010, 72% in 2009 and 62% in 2008) are shown separately: 932,298 m<sup>3</sup> in 2011, 1,053,469 m<sup>3</sup> in 2010, 729,243 m<sup>3</sup> in 2009 and 679,053 m<sup>3</sup> in 2008.

**BEST PRACTICES ENERGY**

- At its production site at La Chaux-de-Fonds, TAG Heuer finished installing what is one of the largest photovoltaic installations in western Switzerland. To reduce its carbon footprint, the Swiss brand signed an agreement for the installation of solar panels on the roofs of its four buildings. It was after a visit by Leonardo DiCaprio to the TAG Heuer plant in March 2010 that Chairman and CEO Jean-Christophe Babin decided to launch a feasibility study.
- With assistance from the French environment and energy management agency ADEME, Hennessy introduced a unique prototype developed by Pyraire® that conserves energy in central heating boilers via a heat recovery system.

**CHANGE IN WATER CONSUMPTION BY BUSINESS GROUP** (in m<sup>3</sup>)



\* Estimates of water consumption for the sales areas excluded from the scope of reporting and audit (74% in 2011, 83% in 2010, 72% in 2009 and 62% in 2008) are shown separately.

## BEST PRACTICES ECODESIGN

• In addition to systematically taking into account the EPI indicators for each new development, Guerlain has introduced ambitious eco-design initiatives such as the trial of Orchidée Impériale refills at some of its Paris stores. Thus, since the end of September 2011, Guerlain has offered customers of this exceptional skin care cream the possibility of refilling their Orchidée Impériale jars at the Sèvres and Passy stores. Customer feedback has been extremely positive and enthusiastic. The volume of the packaging has been reduced by 15% and more recycled materials are used for the box portion and thermoformed inner trays. A label on the back of the box is a further way of informing customers about Guerlain's commitment to ecodesign. One of the products launched in 2011 was Terracotta Inca, featuring a case made of FSC-certified European beech, finished with clear varnish and produced by a European supplier using semi-artisan techniques.



In 2012, Guerlain will launch Noir G, the first refillable mascara. Lastly, quarterly in-Maison "ecodesign breakfasts" have been introduced, bringing together the Marketing, Communications and Development departments to assess the environmental rating of Guerlain products and to review new ideas for environmentally friendly materials.

Like the Wines & Spirits business line, other Group Maisons are also taking steps to reduce water consumption and recover rain water. Parfums Christian Dior, for example, set itself a water consumption reduction target that has resulted in a two-thirds reduction in consumed volume since 2005, while Louis Vuitton stepped up the management and monthly monitoring of consumption at the Ducey site. It has also introduced various initiatives to diagnose and measure leaks from its domestic water facilities at Cergy 2 (50 m<sup>3</sup> of water saved per month) and Cergy 3.

## PRODUCTS THAT INCORPORATE CREATIVITY AND RESPONSIBILITY

### SAFEGUARDING STRATEGIC RAW MATERIALS

The choice of components and raw materials used in product manufacture is also a principal force behind protecting the environment and precious resources. The LHMH Group:

- has a specific strategy for sourcing and safeguarding raw materials;
- applies the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES);
- is also involved on an ongoing basis with Business for Social Responsibility (BSR) and the United Nations Conference on Trade and Development (UNCTAD), primarily as a member of working groups within these organizations, aimed at establishing best practices in the sourcing of exotic leathers. In October 2011, LVMH acquired Heng Long, one of the world's top five crocodile skin tanneries, based in Singapore.

For many years the Perfumes & Cosmetics Research and Development Department has focused on ethnobotany. The department identifies plant species from around the world that could be used in cosmetics, and helps protect these species and develop local economies. Guerlain, for instance, is a partner in the Tianzi natural reserve in China as part of a 10-year "sustainable development" sponsorship agreement focusing on reforestation, orchid planting, and a social program for local populations. The Maison has also introduced an initiative for responsible cultivation of vetiver on the Coimbatore high plateaux in southern India.

In the Fashion & Leather Goods business group, Louis Vuitton always tries to select woods with FSC or PEFC labels for store construction, window dressings, customer packaging and some of its exclusive products. As a standard practice it carries out an in-depth investigation of the source of exotic wood to make sure the wood comes from sustainably managed forests.

Meanwhile, in the area of sustainable viticulture supported by all relevant Maisons (see page 32 for more detail), Hennessy's wine-growing and wine-production subsidiary Sodepa, based in Cognac, has a 12-hectare vineyard that was selected in January 2011 to be part of the network of farms identified by the French government under the 2018 Ecophyto plan as being a benchmark in environmental standards.



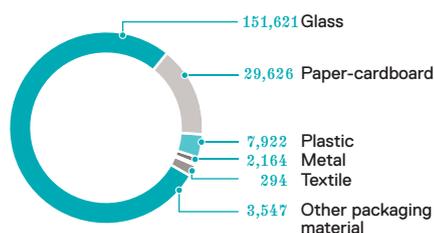
2012 Eco-material Handbook.

### PRE-PLANNING TOOL

Designed as an operational tool, the Eco-Material Handbook entitled “Materials to Consider” is distributed internally and identifies about forty materials that offer the kind of environmental performance required for the Group’s products, with an explanation of how each business can use them. The materials are categorized by application: wrapping, packaging, textiles and leathers, communications and store fit-out.

**Minimizing materials:** The Maisons have customized tools and training programs that allow them to incorporate environmental concerns into the design of their products to the greatest extent possible.

### PACKAGING VOLUME BY TYPE OF MATERIAL IN 2011 (in metric tons)



### CHANGE IN PACKAGING PLACED ON THE MARKET BY BUSINESS GROUP

(in metric tons)	2011	2010	2009	2008	Evolution 2011-2010
Wines & Spirits	163,186	148,145	115,950	147,728	10
Perfumes & Cosmetics	6,100	5,711	4,764	23,887	7
Fashion & Leather Goods	23,798	21,974	20,800	5,266	8
Watches & Jewelry	527	440	386	421	20 <sup>(1)</sup>
Selective Retailing	1,563	1,327	1,327	1,538	18 <sup>(1)</sup>
<b>TOTAL</b>	<b>195,174</b>	<b>177,597</b>	<b>143,227</b>	<b>178,840</b>	<b>10</b>

(1) Change associated with increase in business.

Eco-design includes reducing packaging weight and volume, choosing specific components and raw materials, employing more energy-efficient production processes and introducing initiatives to comply with REACH regulations. The Perfumes & Cosmetics Maisons created an Environmental Performance Index (EPI) that applies to packaging and is based on the following criteria: separability of material, volume, weight, use of refills, and environmentally friendly material. Since 2011, the EPI has been extended to other Group Maisons such as Hennessy and the Champagne Maisons. For its part, Moët & Chandon has developed a new range of cases and supplied FSC-certified shipping crates to suppliers. As a result of this new working method, Ruinart has developed a new eco-designed presentation box.

**Environmental labeling:** LVMH and the Group’s Maisons actively follow the work being done in France, the rest of Europe and around the world on environmental labeling, particularly in the Perfumes & Cosmetics, Fashion & Leather Goods and Wines & Spirits sectors. Sephora and Louis Vuitton, for example, are currently participating in trials in France. Environmental indicators that comply with the official standard are available on Sephora’s website for bath and shower gels and creams. For its part, Louis Vuitton is monitoring the work being conducted on fashion products and participated in quality testing carried out in 2011 to create a “Shirt” standard.

### BEST PRACTICES ECODSIGN

- Louis Vuitton strives to improve its production methods by seeking ways to reduce the environmental impact of its products. Maison policy includes a variety of technical projects representative of the challenges faced.
  - The Maison continues its comprehensive program to eliminate solvent-based adhesives in its workshops. In the Issoudun workshops in France, for example, the use of solvent-based adhesives was reduced on average by two-thirds in 2011 compared with 2010.
  - Many initiatives have been undertaken with regard to ecodesign and the optimal use of resources. Transport packaging continues to be optimized for many stock-keeping units (for example, Neverfull, Speedy and Eva) and has resulted in a reduction of more than 100 metric tons of packaging material. Supplies to stores in certain cities such as Paris, New York and Tokyo are now shipped in reusable plastic cases. Managing the raw materials used in product manufacture is also part of the strategy. The Milo bag, for example, now comes with three leather panels instead of two, in order to cut down on the amount of wasted material. Similarly, canvas used in the manufacture of belts has been reduced by 60%.

- Other Maisons are also active in this area. As part of its packaging management policy, Bodegas Chandon in Argentina made significant strides in 2011 by reducing the amount of glass it uses by 1,199 metric tons, a year-on-year drop of 12%. LVMH Fragrance Brands sends a newsletter on ecodesign (“La lettre de l’Éco-conception”) to all employees involved in product development, while La Grande Épicerie de Paris supplements its collection of reusable bags with new, fair-trade small organic cotton bags, which can be folded into small pouches and slipped into any bag.

## PRODUCT SAFETY AND CUSTOMER HEALTH

To ensure a high level of protection of human health and the environment from the potential risk of chemicals, LVMH anticipates and implements various regulations that apply both to the operation of its sites and to the manufacture of its products.

### REACH REGULATION

The REACH regulation streamlines and improves the former legislative framework of the European Union governing chemical products. The main aims of REACH are to ensure a high level of protection of human health and the environment from the risks that can be posed by chemicals, to promote alternative test methods, to ensure the free movement of substances on the internal market, and to enhance competitiveness and innovation.

All Maisons have incorporated REACH regulatory requirements in their contractual documents so as to involve all suppliers in this effort. They also carry out laboratory tests to certify the absence of potentially harmful substances in consumer goods placed on the market. Experts from the various Maisons meet regularly as part of a REACH working group to anticipate future phase-outs and to share best practices. The LVMH group also holds specific training courses on REACH implementation.

The Group and its Maisons actively follow and implement changes in similar types of legislation in other countries, for instance proposition 65 in California.

## REGULATIONS ON COSMETIC PRODUCTS

The LVMH group has a clear policy on the sensitive issue of using animals to test the safety of finished products: the goal is to ensure the safety of our customers yet still take into account animal welfare. For this reason, since 1989 companies in the Perfumes & Cosmetics segment have no longer been conducting animal testing on the products they place on the market. This began well before the official ban in the European Union in 2004. Developing alternatives to animal testing is a genuine scientific challenge and the LVMH group is extremely active in this field.

The EU regulatory framework for cosmetics products changed with the adoption on November 30, 2009 of European Regulation on cosmetic products. This legislation, which will take full effect in July 2013, will replace directive 76/768/EEC. The Commission's main goal with this new regulation is to raise the already high level of safety for cosmetics consumers by:

- increasing manufacturer responsibility: minimum requirements for assessing product safety must be clarified;
- increasing the level of monitoring on the market: serious adverse effects must be notified to the competent authorities.

The LVMH group has already been working for several months on establishing procedures so that it will be ready when the new regulation takes effect. These initiatives are all the more critical since cosmetic regulations are spawning an increasing amount of legislation around the world.

Other European regulations have entered into force, some recently, and have been incorporated into LVMH procedures. These include:

- the Globally Harmonized System Regulation designed to standardize the classification and labeling of chemicals;
- the REACH regulation.

### BEST PRACTICES FOR COMPLIANCE

- In 2011, Louis Vuitton continued its policy of implementing the REACH regulation, under the direction of its internal REACH Committee. Specifically, it produced a training module aimed at buyers and developers, performed regular screening of materials, sent annual letters and monitored suppliers. It also helped partners replace non-compliant materials where necessary. In monitoring product compliance, Louis Vuitton takes particular account of changes in local product regulations – Korea Certification (KC) Label, Prop 65, regulations in Taiwan, South Korea, and so on. Lastly, Louis Vuitton is a member of the LVMH project committee designed to develop an information tool on international standards that apply to products, particularly their materials and components.

The LVMH group is particularly vigilant in complying with regulations, opinions of scientific committees, and the recommendations of professional associations. It also abides by strict internal rules for the development of new products – rules that are also imposed on LVMH suppliers.

The Group has held true to this commitment for several years and backs this policy with an approach designed to anticipate changes in international regulations. This anticipation is possible thanks to the efforts of our experts who regularly participate in the working groups of authorities in France and the rest of Europe and are very active in professional organizations. The work done by our experts in monitoring all the new regulations and changes in scientific knowledge has led the LVMH group to ban the use of certain substances and to work toward reformulating certain products.

This very stringent requirement guarantees the safety of our cosmetics, not just at

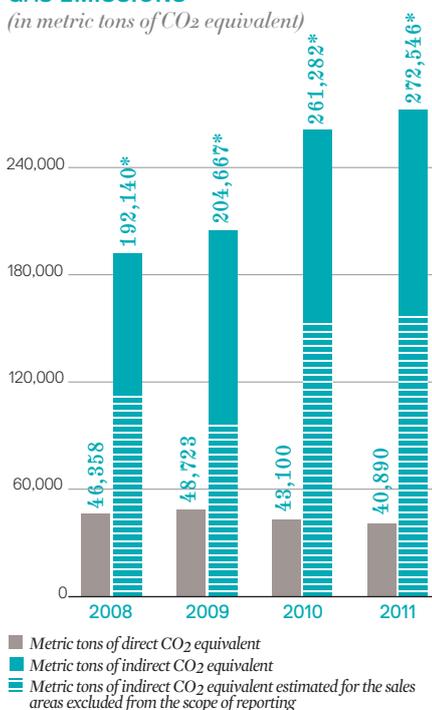
the time they are placed on the market, but also while they are being marketed. A customer relations network has been set up so that we can review all complaints from our customers and carry out cosmetic vigilance of our products. Any complaint, whether an intolerance or a severe irritation, is reviewed by a specialized team and assessed by a professional, and may result in the consumer being offered a consultation with a dermatologist. Lastly, by analyzing these complaints and exercising cosmetic vigilance, we can explore new avenues of research and improve the quality of our products.

### EMISSION AND DISCHARGE PREVENTION

The reduction in emissions and discharges primarily comes from efforts made to limit the resources used during operations at sites, workshops and stores, and in care taken in the design and management of the product life cycle.

### CHANGE IN GREENHOUSE GAS EMISSIONS

(in metric tons of CO<sub>2</sub> equivalent)



\* Estimates of greenhouse gas emissions for sales areas excluded from the scope of reporting and audit (60% in 2011, 60% in 2010, 50% in 2009 and 62% in 2008) are shown separately. 158,074 tons of CO<sub>2</sub> equivalent in 2011, 154,124 tons of CO<sub>2</sub> equivalent in 2010, 97,119 tons of CO<sub>2</sub> equivalent in 2009 and 112,378 tons of CO<sub>2</sub> equivalent in 2008. More detailed explanations are provided in the graph on CO<sub>2</sub> emissions by sector. The change in 2011 is due to the increase in business volumes and the integration of new sites.

### ATMOSPHERIC EMISSIONS

**Greenhouse gas emissions:** climate change considerations have long been part of LVMH policy. In fact, the Group led the way in this regard when the following Maisons completed their first Carbon Footprints® in 2002: Louis Vuitton, Moët & Chandon, Veuve Clicquot, Hennessy, Parfums Christian Dior, Guerlain, Parfums Kenzo, Parfums Givenchy, Givenchy Couture, Make Up For Ever, DFS, Sephora and Le Bon Marché. Initiatives undertaken by the Maisons after they completed their Carbon Footprints and energy diagnostics are described under “Resource-saving initiatives.” Emissions generated by each site are estimated in metric tons of CO<sub>2</sub> (carbon dioxide) equivalent (MtCO<sub>2</sub>e) and include direct emissions (on-site energy production) and indirect emissions (from off-site production of electricity used by the sites). Greenhouse gas emissions represented a volume of 155,362 MtCO<sub>2</sub>e in 2011 versus 150,256 MtCO<sub>2</sub>e in 2010. It should be noted that 60% of sales areas (Selective Retailing, Fashion & Leather Goods, Perfumes & Cosmetics and Watches & Jewelry) are not included in the consolidated financial

### BEST PRACTICES FOR COMPLIANCE

- In conjunction with its raw material suppliers, Loewe is implementing a REACH program as a basis for its environmental strategy.
  - Initially, a program to test supplier compliance was established to categorize the chemical components most frequently encountered in the composition of raw materials.
  - A laboratory study was then launched, taking account of suppliers and key materials. As a result, 127 samples of the main materials were tested (leather, exotic leather, textiles, ready-to-wear textiles, metal hardware, silk, packaging, and so on).

	Test number	Suppliers audited
Leather	36	85%
Exotic leather	13	100%
Textiles	11	100%
Ready-to-wear textiles	20	100%
Metal hardware	30	75%
Silk	13	100%
Packaging	4	100%
<b>TOTAL</b>	<b>127</b>	

In 2011, the Maison arranged for 278 tests to be conducted by certified laboratories on samples of supplier raw materials. The results were shared with the suppliers and when necessary led to plans for corrective action.

statements; they generated greenhouse gas emissions estimated at 158,074 MtCO<sub>2</sub>e in 2011, versus an estimated 154,524 MtCO<sub>2</sub>e in 2010. The DFS and Sephora boutiques contribute significantly to electricity consumption and even more to greenhouse gas emissions. This is because higher emission factors are applied in the host countries of these stores (Australia, China, New Zealand and the United States in particular). With equal electricity consumption,

CO<sub>2</sub> emissions are proportionately higher than in France.

Transportation is also a major source of CO<sub>2</sub> emissions. Although transportation is not carried out directly by the Group's companies, it is nevertheless subject to specific measures, such as the preference for maritime transport. The Group has begun detailed reporting on transportation:

- upstream transport: components from suppliers' sites to the Group's manufacturing

sites. Initially only the principal components (bottles, leather, flasks, etc.) were included;

- downstream transport: finished products from manufacturing sites to distribution platforms.

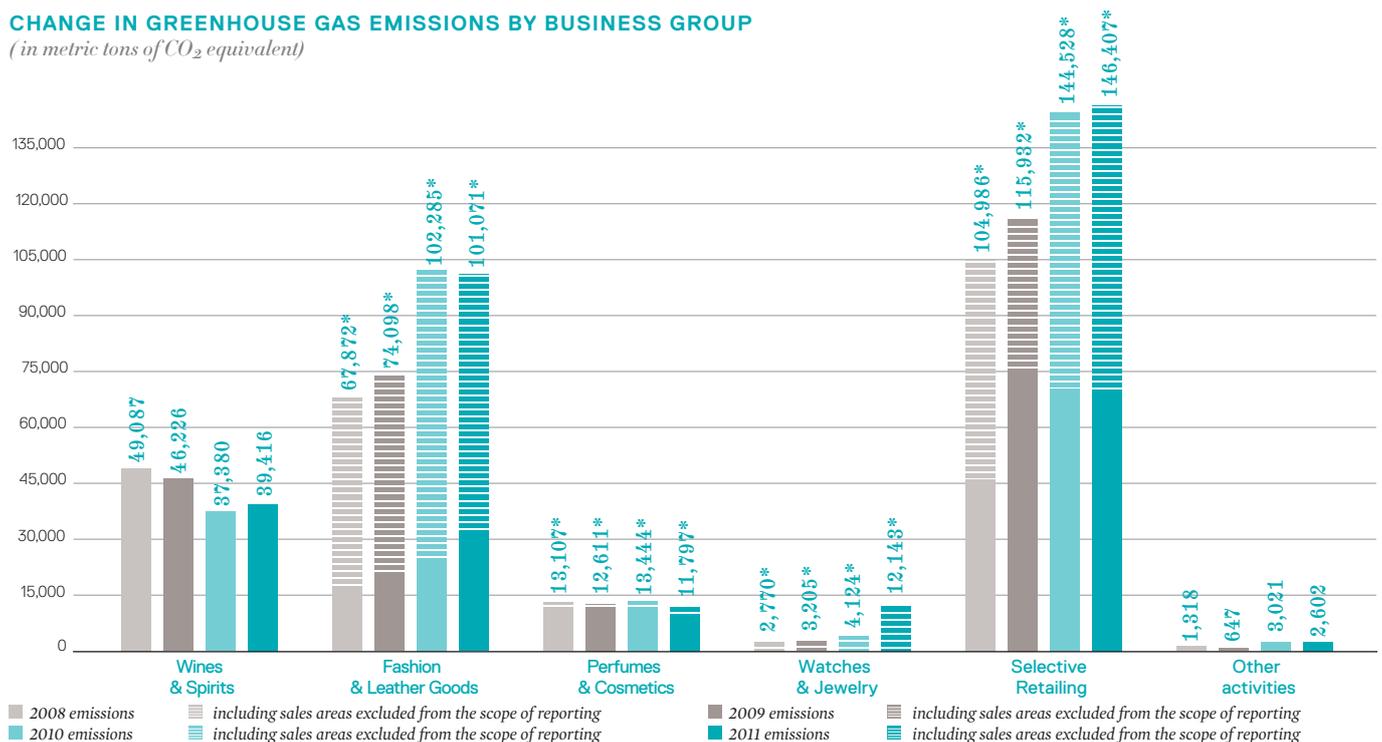
Results are already available for the Group's principal Maisons. The following Maisons were included in the reporting scope this year: Moët & Chandon, Veuve Clicquot, Hennessy, Belvedere, Glenmorangie, Cloudy

#### DETAILS OF DIRECT AND INDIRECT EMISSIONS BY YEAR

	2011		2010		2009		2008	
	Metric tons direct CO <sub>2</sub> eq	Metric tons indirect CO <sub>2</sub> eq	Metric tons direct CO <sub>2</sub> eq	Metric tons indirect CO <sub>2</sub> eq	Metric tons direct CO <sub>2</sub> eq	Metric tons indirect CO <sub>2</sub> eq	Metric tons direct CO <sub>2</sub> eq	Metric tons indirect CO <sub>2</sub> eq
Wines & Spirits	25,327	14,089	23,763	13,617	29,161	17,065	28,315	20,772
Perfumes & Cosmetics	4,011	97,060	5,566	96,719	6,953	5,658	7,052	6,055
Fashion & Leather Goods	4,662	7,135	6,338	7,106	4,935	69,163	4,315	63,557
Watches & Jewelry	791	11,352	582	3,542	736	2,469	757	2,013
Selective Retailing	5,224	141,183	5,752	138,776	6,838	109,094		99,165
Other activities	875	1,727	1,099	1,922	100	1,218	98	578

#### CHANGE IN GREENHOUSE GAS EMISSIONS BY BUSINESS GROUP

(in metric tons of CO<sub>2</sub> equivalent)



\* Estimates of greenhouse gas emissions for sales areas excluded from the scope of reporting and audit (60% in 2011, 60% in 2010, 50% in 2009 and 62% in 2008) are shown separately.

Bay, Cape Mentelle, Chandon Australia, Bodegas Chandon, Louis Vuitton, Céline, Parfums Christian Dior, Parfums Givenchy, Parfums Kenzo, Guerlain, Make Up For Ever, Cortech, Les Ateliers Horlogers and TAG Heuer. This reporting system will continue to be improved in coming years.

Hennessy gives priority to sustainable transport for its finished products. Products are mainly shipped by boat (more than 92% in metric tons/km) followed by road and rail-road transport. The Maison is strongly committed to the latter form of transport and, accordingly, in 2011 almost 46% of its shipments from Cognac were sent by rail. For Champagne, a logistics platform shared by all the Maisons optimizes the efficiency of the transport phase and makes maritime transport standard practice as far as possible (more than 90% in metric tons/km).

Sephora continues to develop electric transport to deliver goods to more than 80% of its 250 French stores. Louis Vuitton also continues to favor inland waterway transport to the port of Le Havre.

**VOC emissions:** LVMH also actively monitors VOC (volatile organic compound) emissions, which concern the Spirits Maisons because of alcohol evaporation during the barrel-aging process and, to a lesser extent, the Perfumes & Cosmetics and Fashion & Leather Goods Maisons, which may need to use volatile substances (glues, solvents, and so on) in their manufacturing processes. Louis Vuitton is going on its planned elimination of all solvent-based adhesives in its workshops.

**Noise, electromagnetic waves and air quality:** Checks and regular measurements are carried out in and around production sites and logistics centers. For example, Louis Vuitton launched a program to measure the electromagnetic fields at the new warehouse for the Europe region. A similar operation was carried out at the Model and Prototype workshop and Quality-Control Laboratory at Paris headquarters to measure air quality.

#### UPSTREAM TRANSPORT 2011

<i>CO<sub>2</sub> eq emissions in metric tons</i>	<i>Total Wines &amp; Spirits</i>	<i>Total Fashion &amp; Leather Goods</i>	<i>Total Perfumes &amp; Cosmetics</i>	<i>Total Watches &amp; Jewelry</i>
Road	6,777	2,031	1,417	–
Rail	18	9	–	–
Plane	190	57,551	11,052	1,357
Boat	189	57	490	–
<b>TOTAL</b>	<b>7,124</b>	<b>59,648</b>	<b>12,959</b>	<b>1,357</b>

#### DOWNSTREAM TRANSPORT 2011

<i>CO<sub>2</sub> eq emissions in metric tons</i>	<i>Total Wines &amp; Spirits</i>	<i>Total Fashion &amp; Leather Goods</i>	<i>Total Perfumes &amp; Cosmetics</i>	<i>Total Watches &amp; Jewelry</i>
Road	38,282	4,267	4,485	9
Rail	288	8	–	–
Plane	16,187	139,428	36,746	1,563
Boat	4,482	66	428	–
<b>TOTAL</b>	<b>59,239</b>	<b>143,769</b>	<b>41,659</b>	<b>1,572</b>

#### DISCHARGES INTO SOIL AND WATER

The only significant relevant discharges are those of organic substances released into water and which contribute to eutrophication (excessive algae and water plant growth). These substances are measured by chemical oxygen demand (COD), calculated after the discharges have been treated at plants owned or shared by the Group. "Treatment" refers to clean-up by local authorities, self-clean-up in aeration tanks, or land spreading operations. COD is actively monitored at all sites of the Wines & Spirits and Perfumes & Cosmetics Maisons. The Maisons measure

COD on a regular basis, and sometimes daily during periods of high-volume, concentrated discharges, such as during the grape harvest for the Wines & Spirits business group.

**Management of waste water and rain water:** Bodegas Chandon has made further improvements to its system for treating effluent, reducing the organic load of discharged effluent by 70%. This has enabled the water to be re-used for irrigating green areas. At Louis Vuitton, detergent-based fountains are now systematically placed in closed systems at all sites to avoid any discharge of adhesives or dyes. And the Champagne Maisons have finished

#### COD AFTER TREATMENT

<i>(in metric tons/year)</i>	<b>2011</b>	2010	2009	2008
<i>Wines &amp; Spirits</i>	<b>2,227.3<sup>(1)</sup></b>	2,107	3,291.2	1,395.9
<i>Perfumes &amp; Cosmetics</i>	<b>13.6<sup>(2)</sup></b>	18.3	14.2	16.1
<b>TOTAL</b>	<b>2,240.9</b>	<b>2,125.3</b>	<b>3,305.4</b>	<b>1,412</b>

(1) Change related to the decline in operations at some of the Glenmorangie sites.

(2) Change related to the increase in operations and improved measurement of discharge at one Glenmorangie site.

upgrading the tank used to treat pressing effluent through aerated storage at the Romont site near Reims.

**The challenge of sustainable viticulture:** All relevant Wines & Spirits Maisons support sustainable viticulture, which drastically reduces the need for phytosanitary products that have a major impact on the environment.

Deeply committed to sustainable viticulture for historic and strategic reasons, the Wines & Spirits Maisons are introducing a variety of initiatives based on responsible or organic farming.

Hennessy has embarked on a sustainable viticulture program aimed at reducing the use of phytosanitary inputs. In 2011, its wine-growing subsidiary, Sodepa, was chosen to join a network of gold standard farms established by the French government under the 2018 Ecophyto Plan. A series of initiatives were carried out at the vineyard, including the installation of weather stations to allow treatment dosages to be adjusted as appropriate. A more intensive experiment was conducted on certain portions of the land, using mating

disruption as a substitute for insecticides. Hennessy also supports biodiversity protection and therefore supplemented these initiatives with the planting of hedgerows in partnership with local non-profit organization “Prom’haies.”

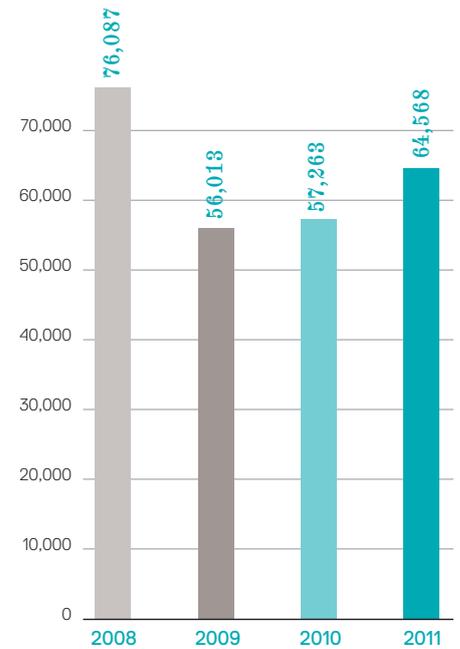
As part of their efforts to support biodiversity and sustainable viticulture, the Champagne Maisons are also conducting a variety of initiatives, such as the planting of hedgerows to enhance wine-growing landscapes and promote biodiversity, and the use of mating disruption methods to protect the vines from grape worms, which eliminates the need for insecticides on 90% of the vines. For Veuve Clicquot and Moët & Chandon, the battle against fungal diseases is a major challenge that is being addressed in numerous ways, specifically:

- viticulture trials using organically certified inputs;
- introduction of a program known as the “Third Way,” which combines the use of synthetic products applied during the critical flowering period, with organic products applied at the beginning and

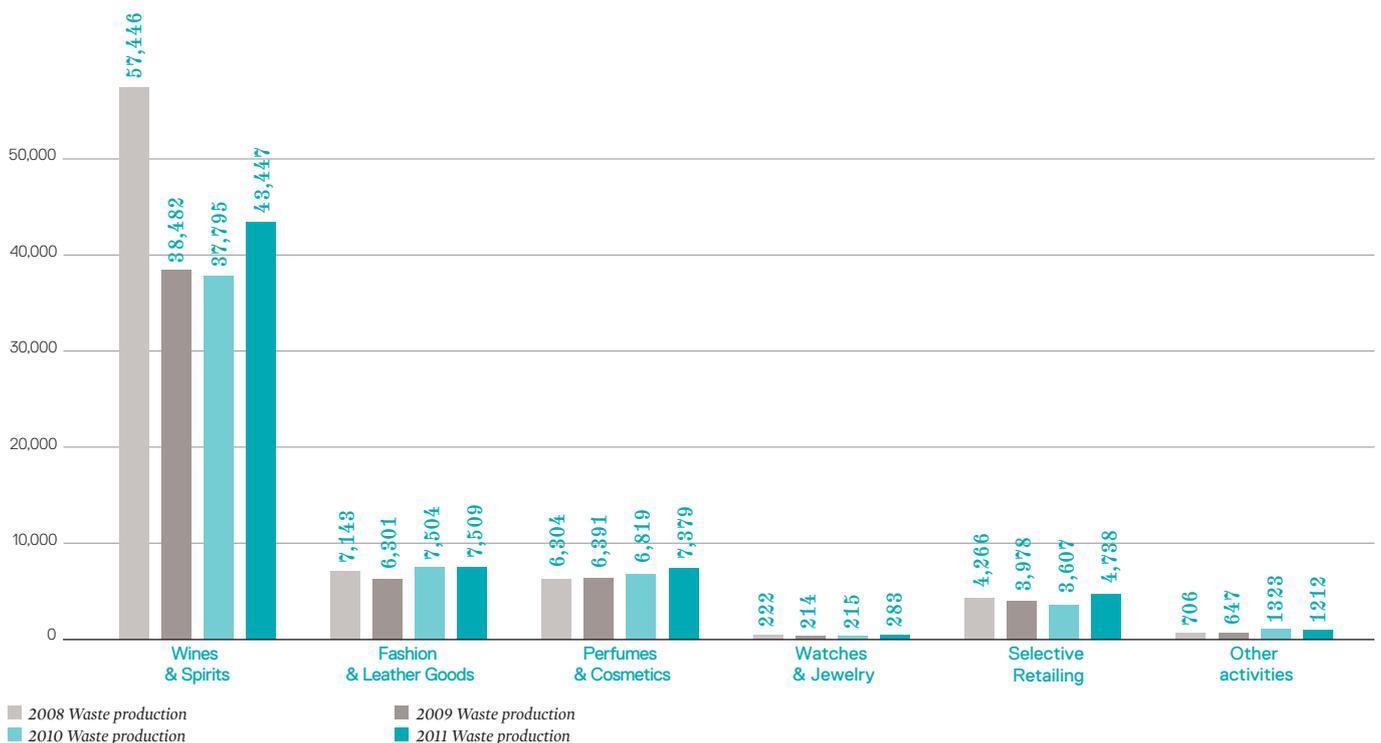
end of the process when the vine is less vulnerable to attack;

- customized dosages of phytosanitary products based on the height of the

**CHANGE IN WASTE PRODUCTION**  
(in metric tons)



**CHANGE IN WASTE PRODUCTION BY BUSINESS GROUP** (in metric tons)



vegetation, which reduces the amount of phytosanitary products used to fight mildew by 15% to 20%;

- testing of spray equipment fitted with panels to recover phytosanitary products not in contact with vegetation, reducing the quantity of inputs used by 20%.

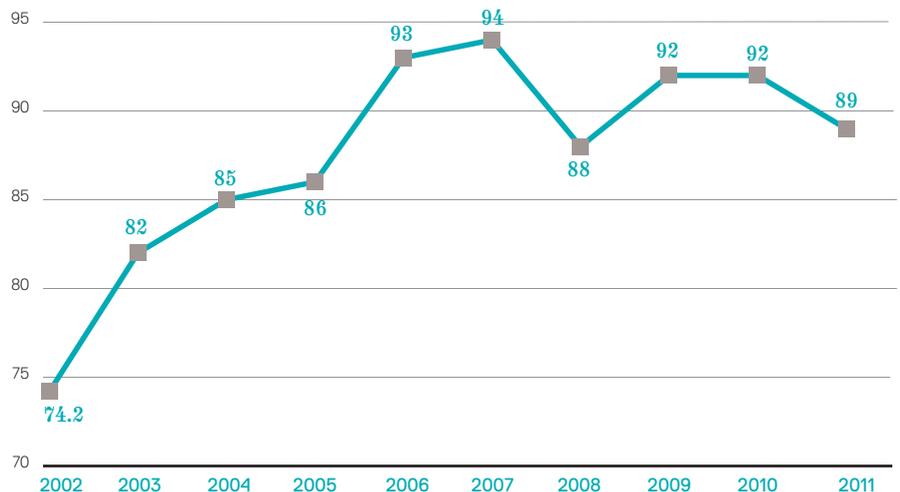
With regard to soil maintenance, Moët & Chandon uses optical camera technology for carefully targeted weed control. With the advent of the age of zero herbicides, under-row mechanical weeding is being extended to all vineyards.

Numanthia, in Spain, is also involved in responsible management of “legacy” vineyards whose ecosystem needs to be preserved through the use of organic products and by reducing both the number of passes through the vines and the use of phytosanitary products.

Cloudy Bay in New Zealand has invested in under-row weeding equipment to reduce the use of herbicides. In the first year, the

volume of herbicides used dropped by more than 75%.

#### PERCENTAGE OF WASTE RECOVERED



#### CHANGE IN HAZARDOUS WASTE PRODUCTION BY BUSINESS GROUP

(in metric tons)	Hazardous waste 2011	Hazardous waste 2010	Hazardous waste 2009	Hazardous waste 2008
<i>Wines &amp; Spirits</i>	178	196	146	192
<i>Fashion &amp; Leather Goods</i>	121	73	61	64
<i>Perfumes &amp; Cosmetics (1)</i>	896(1)	776	767	738
<i>Watches &amp; Jewelry</i>	29	17	14	27
<i>Selective Retailing</i>	64	17	17	12
<i>Other activities</i>	79	111	-	1
<b>TOTAL</b>	<b>1,367</b>	<b>1,190</b>	<b>1,005</b>	<b>1,034</b>

(1) Certain products removed from the production circuit are classified as hazardous waste and are treated in the “hazardous waste” sector to prevent any violation.

#### RECOVERY OF WASTE PRODUCED BY LVMH GROUP SITES IN 2011

Percentage of waste recovered

Activities	Reused	Materials recycled	Incinerated with energy	% total recovered
<i>Wines &amp; Spirits</i>	5	81	4	90
<i>Fashion &amp; Leather Goods</i>	3	47	18	68
<i>Perfumes &amp; Cosmetics</i>	5	68	24	97
<i>Watches &amp; Jewelry</i>	-	64	30	94
<i>Selective Retailing</i>	6	42	37	85
<i>Other activities</i>	-	97	2	99
<b>TOTAL</b>	<b>5</b>	<b>73</b>	<b>11</b>	<b>89</b>

### WASTE REDUCTION AND RECOVERY

The Group's companies are continuing their effort in waste sorting and recovery. On average, 89% of waste was recovered in 2011 versus 92% in 2010. The percentage change is primarily related to better tracking of some of the Estates & Wines Maison waste. At the same time, waste production in 2011 increased by 13%. In 2011, the breakdown of metric tonnage by sector was as follows:

Since 2010 Perfumes & Cosmetics, Sephora and, currently, Louis Vuitton have been using the CEDRE (Center for Documentation, Research and Experimentation on Accidental Water Pollution) platform to sort, recycle and recover their waste. This recycling platform accepts several types of waste: obsolete packaging, obsolete alcoholic products, promotional materials, testers used in stores, and empty packaging returned to stores by customers. In 2011, the platform processed some 1,300 metric tons of waste, up 30% over 2010, when 1,000 metric tons were processed. The platform was also able to resell some of the materials, such as glass, cardboard, wood, metal, plastic, alcohol and cellophane, to a network of specialist recyclers. Other avenues are currently being explored so that other Group Maisons could dispose of such items as obsolete skincare products. In addition to the CEDRE platform, Guerlain allows its customers to return their empty products to its Paris stores for sorting and recycling. To facilitate this eco-initiative, the stores have a designated counter and provide customers with information on the service.

Spotlighting different initiatives allows alternative solutions to be sought. Le Bon Marché is introducing a methane conversion project for food waste at La Grande Épicerie. Sephora North America is continuing its support of the "g2 Revolution" program that

promotes the recycling of obsolete perfumes, skincare products and makeup, as well as makeup accessories and small electronic devices. And the Champagne Maisons are heavily involved in energy recovery from viticulture biomass, such as grubbed out vines – more than 452 metric tons in 2011 – which are now sent to the new biomass boiler at the Goyard distillery.

Louis Vuitton is continuing its partnership with the non-profit organization "La Réserve des arts," a platform for recovering and recycling commercial waste that can be passed on to designers. Material from the Asnières workshop and Louis Vuitton Cultural Space are thus given a second life by costume designers, architects, young artists,

choreographers and sculptors, adding value and creativity to the cultural sector. Fabric, leather and clothing have also been donated to fashion and leather design schools, such as Parson's School of Design in New York, Saint Martin's College in London, and the Paris Fashion Institute. Louis Vuitton has also started recycling metal hardware with a new contractor who can recover gold, among other metals. The profits are used to support the workshops' environmental initiatives. Louis Vuitton has deployed a vast array of initiatives to raise awareness about waste and provide training in waste sorting and recycling. For example, it has produced a sorting guide, organized a sorting contest and created a fun informational panel.



## PROGRAMS EXTENDED TO CIVIL SOCIETY



### PROGRAMS EXTENDED TO CIVIL SOCIETY

A model of responsible consumption

The critical challenge of preserving biodiversity

Creating environmental value for the benefit of society

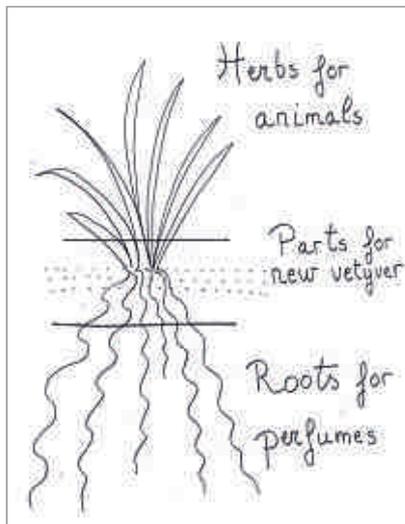
#### COMMUNICATING OUR COMMITMENTS AND VALUES

The LVMH group advocates a model of responsible consumption and marketing, particularly when it comes to its Wines & Spirits operations. The brands convey messages that incorporate the challenges and

requirements of sustainable development and corporate responsibility by promoting the intrinsic quality of people and products. Thus the values reflected in the Maisons' activities and strategies are most particularly excellence, exclusivity, know-how, innovation, skills transfer and sustainability.

#### ENCOURAGING RESPONSIBLE CONSUMPTION

The Group's Wines & Spirits Maisons are committed to responsible alcohol consumption. In 2003, Moët Hennessy adopted a Marketing and Communications Code of Conduct, which was updated in 2008. It provides clear consumption principles and complies with the Moët Hennessy Charter



### SHOWCASING UNIQUE MATERIALS

• Guerlain has introduced responsible vetiver cultivation in the high plains above the town of Coimbatore in southern India.

The vetiver sustainable development project came about during a visit by Guerlain perfume maker, Thierry Wasser. Vetiver cultivation would offer local people a new responsible farming activity that would safeguard the environment while giving Guerlain a new and unique raw material for its vetiver-based perfumes.

The entire vetiver plant can be used in three ways: the grass makes excellent fodder for livestock, the base provides new cuttings, and undistilled roots can be made into mats and baskets.

The harvesting and use of vetiver is therefore a perennial source of additional revenue for local farmers. Furthermore, vetiver requires very little labor and maintenance and grows easily with little water and no pesticides.

Its roots limit soil erosion and improve the soil's moisture content and fertility: thanks to vetiver, the crop of other plants can increase by 30% to 50%. As part of the project, solar panels will be installed to power the irrigation pumps and a study is under way to limit the use of wood during distillation. Transporting vetiver essence from India to Le Havre and on to the Parfums Guerlain workshops in Orphin, France, will be by boat.

on responsible alcohol consumption. All employees are familiar with this charter and adhere to its principles.

For instance, when new employees join Moët Hennessy, their welcome program includes a presentation by the Human Resources Department of the Maison's responsible consumption policy. New employees are introduced to the principal awareness-raising tools – a Charter, a Marketing Code and educational literature – aimed at employees and visitors alike.

In 2010, the Wines & Spirits Maisons began placing a responsible consumption message on bottle labels. As the labels are renewed, so the message becomes more widespread. Where possible, the message includes a reference to a website in the language of the country in question, offering clear and specific information about consumption thresholds, occasions to avoid drinking alcohol, how to arrange rides for party guests, and so on. A similar responsible-consumption labeling program is also being developed for Moët Hennessy brands around the world.

### PUBLIC AWARENESS CAMPAIGNS AND CUSTOMER INFORMATION

The Group's Maisons form flagship partnerships whose primary goal is to support the environmental messages carried by the brands. Louis Vuitton, for example, has an ongoing involvement with Climate Project, the non-profit organization launched by Al Gore to educate the general public about the effects of climate change, and Green Cross International, the Foundation created by former Russian president Mikhail Gorbachev. TAG Heuer, meanwhile, continues the partnership it formed in 2009 with Leonardo DiCaprio to raise funds to benefit the Natural Resources Defense Council and Green Cross International.

Drawing on their heritage and traditions, the Group's Maisons are helping to promote the know-how of their craftsmen and employees both locally and nationally. On October 15 and 16, 2011, LVMH organized *les Journées Particulières* ("Special Days") during which 25 exceptional sites in France and other European countries were open to the public. In-Maison *les Portes Ouvertes* ("Open Days") featuring a presentation on

environmental initiatives were also held at many of the Louis Vuitton workshops and were attended by 1,000 employees along with their friends and families. The goal of more targeted encounters is to improve exchanges and dialogue between the Maisons and their stakeholders. In France, for example, staff from Louis Vuitton provided assistance to the Sustainable Development Advisory Committee of the Greater Cergy-Pontoise District Council on eco business parks. For the renovation of La Samaritaine (see page 21), various informational meetings were held before and during the clearing and asbestos removal work, as well as during the project's development phase. A "model Maison" containing all the appropriate presentation media was opened to the public and provided information about the site's history and specific features of the project's architecture. Local residents and the town hall of the 1st arrondissement were fully involved in the information and consulting process, particularly with regard to how the project would impact the Rue Baillet, which is adjacent to the La Samaritaine building.

To improve consumer information and awareness, LVMH and Sephora are participating in a project started in 2011 by the French government to test environmental information labeling. And last but not least, many of the Group's Maisons, such as Guerlain and Louis Vuitton, now have pages on their websites dedicated to the environment.

### CONTRIBUTING TO PROFESSIONAL EXCHANGE

The Group and its Maisons are involved in a number of technical projects, according to their sector and specific local, national and international challenges.

Aware of the advances that can be made through holding discussions and collaborating with others, particularly in environmental matters, LVMH makes a point of forming key partnerships with national and international non-profit organizations, local communities and educational institutions. For example, the Group is a member of the non-profit organization Orée (which covers businesses, regions and the environment) and co-chairs the strategic committee of

the Foundation for Research in Biodiversity (FRB). Other Maisons are also active in this area, such as Bodegas Chandon, which is a member of the Sustainable Development Commission of “Argentina Wineries,” a trade association whose main goal is to define and set the parameters for the wine industry’s key sustainability indicators when it comes to water and energy consumption. Bodegas Chandon is also part of the “clean production” program, supported by the Mendoza Environment Secretary and the Inter-American Development Bank (IADB). The program’s aim is to foster synergies between the government and wine-production businesses in order to train and educate suppliers, provide information to the general public and increase the percentage of material that is recovered and recycled.

In addition to its work with the Responsible Jewellery Council, the group continues its involvement with Business for Social Responsibility (BSR). In particular, it belongs to a working group set up to establish best practices in the sourcing of exotic leathers.

Finally, LVMH makes frequent presentations to major business schools (ESSEC, HEC, etc.) and universities (Léonard-de-Vinci, Saint-Quentin-en-Yvelines and others) about the environmental challenges faced by its business groups and operations.

### THE CRUCIAL CHALLENGE OF BIODIVERSITY

Protecting biodiversity is the ultimate goal of all environmental efforts. The competitiveness and social acceptability of LVMH activities depend directly on their ability to protect and let flourish the essential resources that make up the living world. In addition to the various initiatives already undertaken to promote biological diversity (site management and water conservation, sourcing of materials, sustainable viticulture, ethnobotany, and reducing the impact of CO<sub>2</sub> emissions on biodiversity), LVMH is raising the awareness of its employees and the general public of the challenges of biodiversity. Various Maisons introduced a number of initiatives in 2011 as part of the United Nations Organization (UNO)

International Year of the Forest. Hennessy, for instance, organized a conference on April 6, 2011 on sustainable forest management and certified woods, followed by a demonstration of cooperage skills. Forests have exceptionally rich ecosystems and are the planet’s lungs. They are home to 80% of land-based biodiversity and a source of life and employment for 1.8 billion people.

### ENCOURAGING AWARENESS OF OUR INTERDEPENDENCE ON BIODIVERSITY

The LVMH group subscribes to France’s “2011-2020 National Biodiversity Plan,” which was unveiled by the French government on the eve of World Biodiversity Day on May 22, 2011. The plan contains France’s share of the international commitments endorsed in Nagoya in 2010 to curb biodiversity loss.

When developing and managing their sites, the Maisons pay close attention to safeguarding green areas and making sure the workshops are integrated into the environment. For example, at the Sainte-Florence workshop in Vendée, Louis Vuitton is helping to enhance the landscape by creating a meadow and footpath. Similarly, the height of the Louis Vuitton Foundation for Creation Museum has been designed to blend in with the tree line of the Jardin and Bois de Boulogne. The Group is also deeply committed to sustainable viticulture (see under “Emission and discharge prevention”), ethnobotany and sourcing of precious leathers (see under “Safeguarding strategic raw materials”). Lastly, in parallel with their activities and as part of their commitment to the community, the Maisons support a number of reforestation and plant species conservation projects.



### RESTORING THE ECOSYSTEM

The Belvedere distillery in Zyrardów, Poland was founded in 1910. It uses water purified by a special process that yields a unique-tasting vodka. Belvedere established the “Foundation for the Protection of the Environment” in partnership with the town of Zyrardów and local farmers. The Foundation carries out a variety of projects, such as cleaning the River Pisia and maintaining irrigation of the canals and surface waters. In 2011, 13.5 metric tons of waste were collected. The Foundation also supports the “Zyrardów – Garden City” project, an interschool waste-sorting challenge, which in 2011 resulted in the collection of 33.4 metric tons of waste, and a photographic and art competition on environmental issues.

Through Orchidarium, its orchid research platform, Guerlain has partnered with the Tianzi natural reserve in China under a 10-year sponsorship agreement which has four areas of focus: restitution of the original tropical forest, the introduction and cultivation of local orchid species, protection of all local biodiversity and particularly the region's threatened flora and fauna, and lastly, a social component consisting of support of economic and social development for the local population. Specifically, Bulang workers receive training in orchid cultivation and environmental protection, are paid salaries that are higher than the national average and are given permanent employment contracts. In addition to sponsoring China's Tianzi natural reserve, the Guerlain Orchidarium also supports two other ventures: the Experimental Garden in Switzerland and the Basic Research Laboratory in Strasbourg.

As part of the "Louis Vuitton Forest" project, Louis Vuitton has financed the purchase of a forest located in Japan's Nagano region. In 2011, the project's third year, felled wood was given to the architect Shigeru Ban to be used to make shelters and furniture for Japan's disaster victims. The project was also supported by profits donated from the design and sale of 150 editions of the "Louis Vuitton Forest Box".

Following the earthquake and tsunami in Japan on March 11, 2011, and independently of donations made to the Japanese Red Cross to help disaster victims, Louis Vuitton is supporting the "Forests Are Lovers of the Sea" project, devised by an oyster farmer from the Miyagi Prefecture, Shigeatsu Hatakeyama, to help rebuild the oyster fields destroyed by the tsunami. Since 1989, Shigeatsu Hatakeyama and his non-profit organization have been helping to improve river water and treat the sea water used for oyster farming by planting deciduous trees.

### THE CRITICAL CHALLENGE OF PROTECTING BEES

For many years the Maisons have been supporting initiatives to protect bees, which are the sentinels of a healthy ecosystem. Bee mortality continues to increase as a result of a number of factors, including pesticides, GMOs and a rise in the number of hornets.

Two Maisons which have a historical association with bees are Chaumet, which has supported the "Terre d'Abeilles" (Land of Bees) association since 2002, and Guerlain, which has entered into an environmental sponsorship agreement with the Ouessant Black Bee Conservatory. Like Guerlain, Louis Vuitton has set up hives at some of its sites (its corporate headquarters at Pont Neuf in Paris, the Cergy Pointoise logistics sites, and its Hong Kong warehouse) and in 2011 signed a three-year study and research partnership agreement with the French National Center for Scientific Research, the CNRS. To help preserve the black bee, the CNRS Honeybee Evolution and Behavior Team (EVOLBEE) has devised a project entitled "Comparative Activity of Bees in the Black Bee Conservatory in the Urban and Agricultural Zones of Île-de-France." The goal is to analyze and compare the differences observed between urban colonies of black bees and colonies at the Ile-de-France Black Bee Conservatory (CANIF), located in the Haute Vallée de Chevreuse natural regional park, by cross-referencing data collected within and outside the park (temperature, rainfall, lighting times, and so on).

During Sustainable Development Week from April 1 to 7, 2011, Louis Vuitton's corporate headquarters organized an event on the theme of the honeybee. It included an exhibition of photography by Éric Tournet entitled "Bees and Men" on beekeeping around the world, and a work by artist Paule Kingleur called "Luxury Hotel for Endangered Bees," produced from

leather cut-offs from the Asnières workshop collected under the "Réserve des Arts" recycling program. Employees were also offered eight beekeeping workshops and the chance to take part in a Bee Quiz. The event was organized to coincide with the 2011 "As Sweet as Honey" spring window displays.

### CREATING ENVIRONMENTAL VALUE

Today, addressing the challenge of safeguarding the environment and, more broadly, fulfilling corporate responsibility are unquestionably factors that strengthen the brands' value and reputation vis-à-vis society and stakeholders. These factors are specifically taken into account by extra-financial ratings agencies, which review how LVMH manages and anticipates risks and opportunities from the perspective of CO<sub>2</sub> emissions, how it addresses biodiversity, conservation of raw materials and the supply of strategic resources, and how it incorporates customer health and safety considerations into product design and use.



Hives at the Louis Vuitton logistic Center.



**SUSTAINED ENVIRONMENTAL INVESTMENT**

The seriousness with which the LVMH group takes account of its environmental challenges is reflected in the investments made by the Maisons. In 2011, expenditure directly related to environmental protection totaled €15.6 million: €7.7 million for operating expenses (versus €6.9 million in 2010) and €7.9 million for investment (versus €6 million in 2010). Provisions for environmental risk at December 31, 2011 stood at €12.9 million.

This total amount of environmental expenditure does not include all the other expenses that underpin the Group's commitment to the environment, such as additional costs related to high environmental quality standards for buildings, in-Maison technical training and support, environmental sponsorship initiatives, and external partnerships.

The environmental expense items were recognized in accordance with the recommendations made by the French National Accounting Board (CNC). Operating expenses and investments were carried forward for each of the following items:

- protection of the ambient air and climate;
- waste water management;
- waste management;
- protection and clean-up 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.

**CREATING TANGIBLE VALUE**

All of the Group's environmental initiatives generate savings in the short, medium and long term. The sum of the savings generated, costs avoided and gains made, which are not monetized today as positive externalities for the 60 or so Group brands are not subject to internal consolidation. The Environmental

Department nevertheless tracks and promotes the many internal best practices which represent value created from site operations and product design and manufacturing processes.

**VALUE RECOGNIZED BY EXTRA-FINANCIAL RATINGS AGENCIES AND STAKEHOLDERS**

In 2011, the LVMH group was recognized by the following key indices on the basis of responsible investment criteria:

<p><i>DJSI</i> ("Europe" and "World")</p>	<p><i>FTSE4Good</i> Global 100</p>	<p><i>ASPI</i> Eurozone</p>	<p><i>ESI (Ethibel Sustainability Index): "Ethibel Excellence" and "Ethibel Pioneer"</i></p>
 <p>LVMH was also recognized in the "Clothing, Accessories &amp; Footwear" category in 2012 SAM Sustainability Yearbook, as a member of the "SAM Bronze Class."</p>			

Other assessments and classifications include:

<p>A score of 64/100 in the "Carbon Disclosure Project 2011" (November 2011)</p> 	<p>A rating of 64.7/100 for 2010 awarded by the French Center for Company Information (CFIE) as part of the "2011 Annual Study on Social and Environmental Information in Corporate Annual Reports" (November 2011).</p> 	<p>LVMH has also participated in the CDP Water Disclosure and Forest Footprint Disclosure programs since their inception. LVMH is also member of the Global Compact.</p>
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Locally, the Maisons are involved in a variety of initiatives and their commitment is well recognized by stakeholders. For example, in September 2011 Parfums Christian Dior and its site at Saint-Jean-de-Braye in France were awarded two peony awards for their environmentally friendly initiatives in energy, water, waste management, transport/mobility, introduction of standards, responsible purchasing, community relations and organizational management. This award is part of the "Eco-Responsible Cosmetic Valley" charter, introduced in October 2009 by the Cosmetic Valley competitiveness

cluster, the first global center of perfume and cosmetic resources. Under the charter, awards are given in the form of up to four peonies, depending on the importance of the eco-responsible initiatives undertaken by the cluster's 45 members.



## OBJECTIVES

The tables below indicate the objectives assigned to a given Group Maison.

### ACHIEVEMENTS COMPARED WITH 2011 OBJECTIVES

#### AIM FOR A HIGH LEVEL OF ENVIRONMENTAL PERFORMANCE

Strategy	Business group	Objective assigned to the Company in 2011	Deadline
<i>Strictly comply with environmental regulations</i>	■ Holding company	Systematically verify environmental compliance during internal financial site audits	Ongoing
	■ Holding company	Maintain the French and international environmental regulatory watch	Ongoing
<i>Reduce environmental impact at industrial and administrative sites and shipping hubs: water, energy, waste, transport, etc.</i>	■ Wines & Spirits	Develop rail transport for a target of 25% of products shipped	Achieved
	■ Wines & Spirits	Obtain carbon neutrality for one Maison	Ongoing
	■ Wines & Spirits	Begin construction of a new High Environmental Quality building at a Champagne Maison	Achieved
	■ Wines & Spirits	Implement an energy recovery system for a cooling unit to save 1000 kWh	Achieved
	■ Selective Retailing	Reduce the energy consumption of one Maison by 20%	Ongoing
	■ Perfumes & Cosmetics	Continue to reduce water consumption at one production site (by at least 50%)	Achieved
	■ Watches & Jewelry	Finalize the installation of 750 m <sup>2</sup> of photovoltaic panels	Achieved
	■ Wines & Spirits	Reduce the greenhouse gas emissions of one Champagne Maison by 20% within 10 years	Ongoing

#### FOSTER A COLLECTIVE PURPOSE

Strategy	Business group	Objective assigned to the Company in 2011	Deadline
<i>Involve all employees</i>	■ Holding company	Develop a new environmental reporting tool	Achieved
	■ Holding company and Maisons	Educate all Group employees during Sustainable Development Week	Achieved
	■ Wines & Spirits	Include an environment module in the training given to all grape-harvest seasonal workers (presses)	Ongoing
<i>Distribute the results to all levels of management</i>	■ Holding company	Make the 2010 environmental results available to all employees on the LVMH environmental intranet	Achieved

## CONTROL ENVIRONMENTAL RISKS

Strategy	Business group	Objective assigned to the Company in 2011	Deadline
<i>Have an effective management system, audited at least once every three years</i>	Wines & Spirits	Obtain renewal of the ISO 22000 certification	Achieved
	Perfumes & Cosmetics	Obtain ISO 14001 certification for 3 industrial sites	Achieved
	Fashion & Leather Goods	Obtain ISO 14001 certification for all workshops of one Maison	Ongoing (2012)
<i>Detect, prevent and reduce all environmental risks</i>	All	Train a second ISO 14001 internal audit team	Achieved
	Wines & Spirits	Conduct an environmental audit with 220 grape suppliers	Ongoing

## DESIGN PRODUCTS BY INTEGRATING ENVIRONMENTAL INNOVATION AND CREATIVITY

Strategy	Business group	Objective assigned to the Company in 2011	Deadline
<i>Include environmental considerations in the design of Group products, internally and when dealing with suppliers and subcontractors</i>	Holding company and Maisons	Distribute to marketing, purchasing and development managers a seventh version of the "Materials to Consider: Eco-material Handbook" and maintain the watch on environmentally friendly materials, processes and products	Achieved
	Perfumes & Cosmetics	Make the use of the CEDRE internal recycling platform standard practice	Achieved
	Wines & Spirits	Implement reusable crates for the delivery of certain packaging components Continue the launch of the lighter bottle	Achieved
	Holding company and Selective Retailing	Participate in the French trial of including environmental information on product labeling	Achieved (LVMH and Sephora)

## MAKE COMMITMENTS OUTSIDE THE COMPANY

Strategy	Business group	Objective assigned to the Company in 2011	Deadline
<i>Be involved with stakeholders</i>	Holding company	Continue the work with ORÉE, the BSR, the Responsible Jewellery Council, the Federation for Research on Biodiversity and 11 other partner organizations and associations.	Ongoing
	Wines & Spirits	Open sites to the public during Heritage Days	Ongoing
	Fashion & Leather Goods Watches & Jewelry Perfumes & Cosmetics	Develop partnerships with environmental NGOs such as Green Cross, The Climate Project and Terre d'Abeilles	Achieved
	Holding company	Continue sharing best practices with small and medium-sized companies in the Paris region in conjunction with the Île-de-France Sustainable Development Club	Achieved

## OBJECTIVES FOR 2012 AND BEYOND (NOT EXHAUSTIVE)

### AIM FOR A HIGH LEVEL OF ENVIRONMENTAL PERFORMANCE

<i>Strategy</i>	<i>Business group</i>	<i>Objective assigned to the Company in 2011</i>	<i>Deadline</i>
<i>Strictly comply with environmental regulations</i>	■ Holding company	Systematically verify environmental compliance during internal financial audits of sites	Ongoing
	■ Holding company	Maintain the French and international environmental regulatory watch	Ongoing
<i>Reduce environmental impact at industrial and administrative sites and shipping hubs: water, energy, waste, transport, etc.</i>	■ Holding company and Maisons	Define best practices for store lighting and air conditioning	2012
	■ Holding company and Maisons	Introduce systems that measure energy consumption by item into pilot stores	2013
	■ Wines & Spirits	Obtain carbon neutrality for one Maison	Ongoing
	■ Wines & Spirits	Continue construction of a new High Environmental Quality building at one Champagne Maison	2012
	■ Selective Retailing	Reduce the energy consumption of one Maison by 20%	Ongoing
	■ Wines & Spirits	Discontinue the use of fuel oil for natural gas and reduce CO <sub>2</sub> emissions by 20%	2013
	■ Wines & Spirits	Increase herbicide-free farming areas	2012 and beyond

### FOSTER A COLLECTIVE PURPOSE

<i>Strategy</i>	<i>Business group</i>	<i>Objective assigned to the Company in 2011</i>	<i>Deadline</i>
<i>Involve all employees</i>	■ Holding company and Maisons	Enhance the new web-based environmental reporting tool with new indicators for products, biodiversity and CO <sub>2</sub> emissions (Scope 3)	2012
	■ Holding company and Maisons	Raise awareness of all Group employees during Sustainable Development Week and European Green Week	2012
	■ Wines & Spirits	Include the environment in the training for all grape-harvest (presses) seasonal workers	Ongoing
<i>Distribute the results to all levels of management</i>	■ Holding company and Maisons	Deploy the Group's environmental KPIs at eight pilot Maisons	2012

## CONTROL ENVIRONMENTAL RISKS

<i>Strategy</i>	<i>Business group</i>	<i>Objective assigned to the Company in 2011</i>	<i>Deadline</i>
<i>Have an effective management system, audited at least once every three years</i>	■ Perfumes & Cosmetics	Obtain environmental certification at one production site	2012
	■ Fashion & Leather Goods	Obtain ISO 14001 certification for the supply chain of one Maison	2013
	■ Fashion & Leather Goods	Obtain ISO 14001 certification for all workshops of one Maison	Ongoing (2012)
<i>Detect, prevent and reduce all environmental risks</i>	■ Holding company and Maisons	Develop a tool for international regulatory watch for products	2013
	■ Holding company and Maisons	Develop a tool to assist with the environmental audit of suppliers	2012

## DESIGN PRODUCTS BY INTEGRATING ENVIRONMENTAL INNOVATION AND CREATIVITY

<i>Strategy</i>	<i>Business group</i>	<i>Objective assigned to the Company in 2011</i>	<i>Deadline</i>
<i>Include environmental considerations in the design of Group products, internally and when dealing with suppliers and subcontractors</i>	■ Holding company and Maisons	Distribute to marketing, purchasing and development managers an eighth version of the “Materials to Consider: Eco-material Handbook” and maintain the watch on environmentally friendly materials, processes and products	2012
	■ Perfumes & Cosmetics, Wines & Spirits	Deploy a web tool to calculate the Environmental Performance Index (EPI) of packaging	2012
	■ Fashion & Leather Goods	Establish a working group on product reparability	2012
	■ Holding company and Maisons	Continue to take part in trials in France of providing environmental information on product labels and participate in the development of new labeling standards	2012

## MAKE COMMITMENTS OUTSIDE THE COMPANY

<i>Strategy</i>	<i>Business group</i>	<i>Objective assigned to the Company in 2011</i>	<i>Deadline</i>
<i>Be involved with stakeholders</i>	■ Holding company	Continue the work with ORÉE, the BSR, the Responsible Jewellery Council, the Federation for Research on Biodiversity and 11 other partner organizations and associations	Ongoing
	■ Wines & Spirits ■ Perfumes & Cosmetics	Open sites to the public during Heritage Days	Ongoing
	■ Fashion & Leather Goods ■ Watches & Jewelry ■ Perfumes & Cosmetics	Continue partnerships with environmental NGOs such as Green Cross, The Climate Project and Terre d’Abeilles	2012
	■ Fashion & Leather Goods	Build on the partnership with the non-profit recycling platform La Réserve des Arts, which recovers corporate waste for the cultural sector	2012
	■ Holding company	Continue sharing best practices with small and medium-sized companies in the Paris region in conjunction with the Île-de-France Sustainable Development Club	2012

## METHODOLOGY FOR THE LVMH GROUP'S ENVIRONMENTAL REPORTING

*The LVMH group has been consolidating environmental indicators since 1999, which have been published since 2001. They have been verified by one of the Auditor's specialized teams since 2002. These indicators are published in the Group's Registration Document and Environmental Report.*

### PROTOCOL

All the consolidation and calculation rules are defined in the LVMH environmental reporting protocol, which is updated annually and available for public consultation from the Environmental Department. Any request to read the document may be made by writing to: [environnement@lvmh.fr](mailto:environnement@lvmh.fr).

### SCOPE OF REPORTING

The reporting on environmental indicators in 2011 covered the following:

**Production sites, warehouses and administrative sites:** 181 of the 208 sites owned and/or operated by the companies controlled by the Group were covered. The 29 sites not covered were primarily the Wen Jun Distillery production site, four recently opened Louis Vuitton workshops, and the administrative sites of Benefit, Berluti, Donna Karan, Pucci, Fresh, Marc Jacobs and Thomas Pink. The change in the reporting scope over 2010 is due to the incorporation of Hublot. For Rossimoda, Chandon Do Brasil and some of the holding company sites, 2010 data were carried over. The production sites of Bulgari and the Heng Long tannery, acquired in 2011, are not included in the 2011 environment reporting scope. They will, however, be included in 2012.

**Stores:** reporting covers the French stores of Céline and Guerlain, the French stores and some international stores of

Louis Vuitton (28% of Louis Vuitton sales area, versus 14% in 2010), Le Bon Marché in Paris, the DFS stores around the world, three Fendi stores in Italy, the Spanish stores of Loewe, and Sephora's French stores plus some of its US and Canadian stores. The reporting scope does not include the franchise stores operated by the Fashion & Leather Goods, Perfumes & Cosmetics and Watches & Jewelry business groups. Lastly, depending on the environmental indicators, the scope of reporting can vary significantly:

- energy consumption and greenhouse gases: 63% of the sales areas of Sephora's US and Canadian stores are covered;
- water consumption: 27% of the sales areas of Sephora's French stores and 59% of its US stores are covered;
- waste production: reporting does not cover the Céline and Fendi stores, the Loewe stores in Spain, the French stores of Sephora and Louis Vuitton stores (with the exception of some Japanese stores).

No other environmental indicators are used for stores.

In 2011, the store reporting scope covered 40% of the sales areas for energy consumption and 26% for water consumption. The environmental indicators for stores that are not covered are deducted by extrapolation, using actual average ratios per unit of sales area. The integration of Bulgari and the Ile de Beauté stores in Russia account for the main changes in reporting scope affected by this extrapolation.

### REPORTING TOOL AND METHODOLOGY

The system used for environmental reporting is an in-Maison tool consisting of two types of questionnaire:

- one questionnaire for compiling corporate data: training, packaging, etc;
- one (or more) questionnaire(s) for

compiling data specific to industrial sites: water and energy consumption, waste production (quantity and type of waste), waste treatment, etc.

In all, some fifty types of information are collected from each Maison. The data is then checked and automatically consolidated in a central file, which has numerous control and alert mechanisms (for abnormal data, unit problems, etc.).

### INTERNAL AND EXTERNAL ASSESSMENTS

Consistency controls are conducted by the sites (data is compared against the previous year) and again when the data is being consolidated by the LVMH Environmental Department (abnormalities, previous year comparison, etc.).

Some environmental indicators are also verified externally by one of the Group's Auditors whose conclusions are presented in their reasonable assurance report on certain environmental indicators.

### CHOICE AND RELEVANCE OF THE INDICATORS

The purpose of the published environmental indicators is to report to stakeholders on the Group's annual environmental results. Pursuant to decree 2002-221 of February 20, 2002, known as the "NRE decree" (New Economic Regulations decree), only the nature and magnitude of impacts deemed relevant and significant with regard to operations are reported.

## WATER CONSUMPTION

Water consumption is expressed in cubic meters. This indicator assesses the quantities of water consumed, based on the following two needs:

- agricultural need: measurement of quantities of water used for irrigation (banned in France) and sprinkling the vines (to fight frost, etc.). The water volumes used are either measured directly or, more commonly, estimated;
- process need: measurement of all non-agricultural needs (industrial and sanitary processes, cleaning, spraying green areas, etc.). This water consumption is almost always measured.

## WATER POLLUTION

Water pollution is expressed in metric tons of COD (Chemical Oxygen Demand). This indicator reflects the total annual flow discharged by the sites into the natural environment, after treatment at or downstream of the site.

The only sectors concerned with this parameter are Wines & Spirits and Perfumes & Cosmetics, for which discharges of organic matter and other pollution from effluents are significant and directly related to operations.

## WASTE PRODUCTION

All waste produced is assessed in metric tons. The waste taken into account is hazardous and non-hazardous waste produced by sites during the reporting period. The method for treating each type of waste is also identified in order to evaluate the recycling rate.

The various methods used to recycle waste are:

- Reuse: using the waste for the same purpose as the one for which the product was initially intended (e.g. in the Wines &

Spirits business group, bottles are sold on to a third party);

- Material recovery which includes:
  - recycling: waste is reintroduced into the production cycle from which it came to partially or completely replace a virgin raw material, such as paperboard and certain plastics,
  - organic recovery: composting, controlled spreading of organic waste to fertilize soil, etc.
- energy recovery: incineration with energy from combustion recovered in the form of electricity or heat.

## ENERGY CONSUMPTION

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

## GREENHOUSE GAS EMISSIONS

This indicator is expressed in metric tons of CO<sub>2</sub> equivalent and corresponds to greenhouse gas emissions related to the energy consumed at the sites. It covers direct and indirect greenhouse gas emissions.

## UPSTREAM AND DOWNSTREAM TRANSPORT

This indicator is expressed in metric tons/kilometer and metric tons of CO<sub>2</sub> equivalent. A distinction is made between upstream transport and downstream transport:

**Upstream transport:** this is the number of kilometers traveled by the raw materials and components from the last site of a supplier to the first receiving site. The evaluation is made at the very least on the main components and main products:

The information set out in this document also reflects all the guidelines in version 3.0 of the Global Reporting Initiative (GRI). The information and environmental indicators of the GRI presented in this report are as follows:

### Strategy

- 1.1 p. 5 and 6
- 1.2 p. 14

### Profile of the organization

This information is available in the LVMH 2011 Annual Report.

### Reporting parameters

- 3.1 à 3.12 p. 44 à 46

### Governance and commitments

- 4.12 p. 15 and 17
- 4.13 p. 36 and 37

### Management and Indicators

- EN1 p. 27
- EN3 p. 23 and 24
- EN4 p. 23 and 24
- EN8 p. 25
- EN16 p. 29, 30 and 31
- EN21 p. 31
- EN22 p. 32 and 33
- EN26 p. 26 and 27

- Wines & Spirits: bottles, boxes, corks, etc;
- Perfumes & Cosmetics: bottles, boxes, etc;
- Fashion & Leather Goods: leathers, metal parts, packaging, ready-to-wear, etc;
- Watches & Jewelry: boxes, cases, etc;
- Selective Retailing: store bags, envelopes, boxes, etc.

**Downstream transport:** this is the number of kilometers traveled by all finished products from the manufacturing site to the wholesale customer's first platform or to stores (for selective retailing business groups and brands that have stores).

#### PACKAGING PLACED ON THE MARKET

This indicator is expressed in metric tons of material. It includes primary and secondary packaging placed on the market by all Group Maisons. The packaging used for shipments during transportation is excluded from this indicator.

#### TRAINING AND AWARENESS SESSIONS

This indicator is expressed in hours. It includes all training and awareness sessions completely or partly dedicated to the environment, specifically:

- the training of employees to reduce their impact on the environment (energy consumption, handling of hazardous products, training in environmental regulations, training for health, safety and environment officers, training in environmental audits, water management, waste management, sustainable viticulture, etc.);

- general education/training in environmental issues (key areas: greenhouse gases, biodiversity, education of harvest workers, etc.) or environmental management systems (ISO 14001, etc.);
- training given by the holding company (orientation seminar for new managers, presence on the Environmental Committee, involvement of the LVMH Environmental Department in executive committees or other meetings, etc.);
- hours devoted by in-Maison environmental trainers (Sustainable Development Week, World Water Day, health, safety and environment officer who conducts training/awareness sessions, etc.).

#### PERCENTAGE OF SITES THAT HAVE UNDERGONE AN ENVIRONMENTAL AUDIT

This indicator represents the number of sites that have been subject to an environmental audit (internal or external) during the year, out of the total number of sites.

The audits included in this indicator must cover:

- environmental performance (waste; atmospheric, water and soil discharges; energy and water consumption; noise, etc.);
- an assessment of environmental risk (flood, fire, etc.);
- the business's regulatory compliance;
- an evaluation of the environmental management system (inspection audit, internal audit, certification audit, etc.) and/or the performance of the environmental management system.

These audits are validated by a written audit report which sets out recommendations.

The sites included in the scope of this indicator are the production sites, warehouses and administrative sites held and/or operated by companies controlled by the Group. These audits do not cover stores.

#### EXPENSES INCURRED TO PREVENT AN ACTIVITY FROM IMPACTING THE ENVIRONMENT

This indicator is expressed in thousands of euros. It includes the following expenditures and investments made to prevent an activity from impacting the environment:

- expenses to protect air and climate;
- expenses to manage waste water;
- expenses to manage waste;
- expenses to fight noise and vibrations (excluding the protection of the workplace);
- expenses to protect biodiversity and the landscape;
- expenses for research and development;
- expenses for other environmental protection activities.

# REPORT OF ONE OF THE AUDITORS ON SELECTED ENVIRONMENTAL INDICATORS

To the Shareholders,

As requested, and in our capacity as Auditor of LVMH Moët Hennessy – Louis Vuitton, we conducted controls to allow us to express reasonable assurance that certain environmental indicators<sup>(1)</sup> for the fiscal year 2011 (the “Indicators”) were established, in all material aspects, in accordance with the LVMH environmental reporting protocol, version No. 8 dated October 4, 2011 (the “Standards”).

The Indicators are presented in the Registration Document, paragraph 1, “LVMH and the environment” section, Board of Directors’ Management Report.

It is the responsibility of the LVMH Environmental Department to establish the Indicators and the Standards and to ensure they are made available.

It is our responsibility, on the basis of our controls, to express an opinion on these Indicators. Our audits were conducted in accordance with ISAE 3000 (International Standard on Assurance Engagements) of the IFAC (International Federation of Accountants) of December 2003, in compliance with the rules of independence defined by laws and regulations and the professional code of ethics.

The opinion expressed below concerns only these Indicators and not all the environmental indicators contained in the Registration Document, paragraph 1, “LVMH and the environment” section, Board of Directors’ Management Report. This opinion does not cover the data from retail sales operations that have not been directly integrated into the scope of environmental indicator reporting; these are estimated by extrapolation.

## NATURE AND SCOPE OF THE CONTROLS

To allow us to express an opinion, we conducted the following controls:

We assessed the Standards’ accuracy, clarity, objectivity, completeness and relevance with regard to the Group’s activities and the sector’s reporting practices.

At Group level, we:

- conducted interviews with those responsible for reporting the Indicators;
- conducted an analysis of the risks of anomalies and material relevance;
- assessed the application of the Standards, implemented analytical procedures and consistency tests, and verified on a test basis the consolidation of the Indicators.

We selected a sampling of Maisons that were representative of the businesses and geographic locations, based on their contribution to the Indicators and the risks of anomaly previously identified:

- the entities selected represent on average 65% of the total value of the Indicators published by LVMH<sup>(2)</sup>;
- at this level, we verified the understanding and application of the Standards and conducted detailed checks on a test basis, which consisted of verifying the calculation formulas and reconciling the data with the supporting documents.

We reviewed the presentation of the Indicators in the Registration Document, paragraph 1, “LVMH and the environment” section, Board of Directors’ Management Report.

To assist us in carrying out this work, we called upon our teams specializing in sustainable development, which report to Éric Duvaud.

Based on the controls performed over the last nine years on the Group’s significant entities and the actions conducted by LVMH to improve the understanding and

application of the Standards by the sites, we believe that our controls provide a reasonable basis for the opinion expressed below.

## INFORMATION ON THE STANDARDS

We have the following comments to make on the Standards:

For the retail sales businesses, LVMH distinguishes between the data coming directly from the Indicator feed-in process and the data estimated by extrapolation. The proportion of estimated data decreased this year but remains significant.

Deployment of the internal controls on the Indicator feed-in process, which has been conducted for several years, is generally satisfactory, but presents significant differences among the Maisons: it must be systematized and strengthened, in particular for the Maisons where variances have been found that contribute significantly to the Group’s Indicators.

Concerning the “Percentage of waste recovery” indicator, LVMH made significant progress with regard to an explanation of waste treatment methods. Efforts undertaken should be continued but increased, particularly by the Maisons which do not systematically explain these methods.

## OPINION

In our opinion, the Indicators have been established, in all material respects, in accordance with the Standards developed by LVMH.

Paris-La Défense, February 16, 2012

One of the Auditors

**Ernst & Young and others**

Olivier Breillot

Gilles Cohen

(1) Percentage of sites subject to environmental audits (%); total water consumption for process needs (m<sup>3</sup>); total COD after treatment (metric tons/year); total waste produced (metric tons); total hazardous waste produced (metric tons); percentage of waste recovery (%); total energy consumption (MWh); total CO<sub>2</sub> emissions (metric tons CO<sub>2</sub> equivalent); total packaging placed in market (metric tons).

(2) The contributions by indicator are as follows: percentage of sites subject to environmental audits: 49%; total water consumption for process needs: 62%; total COD after treatment: 96%; total waste produced: 69%; total hazardous waste produced: 59%; percentage of waste recovered: 71%; total energy consumption: 53%; total CO<sub>2</sub> emissions: 46%; total packaging placed on the market: 80%.

## PHOTOGRAPHS

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The new HQE certified Louis Vuitton workshop “les ateliers de la Drôme” in southern of France.

Jean-François Campos, Louis Vuitton / Bruno Aveillan, Karl Lagerfeld, LVMH / Mazen Saggat,  
Louis Vuitton / Éric Tourneret, Louis Vuitton / Picture libraries of LVMH and Group's Maisons.

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