

WORKING TOGETHER TO PRESERVE THE ENVIRONMENT

BECAUSE OUR BUSINESSES ARE CLOSELY TIED TO NATURE AND CONTRIBUTE TO AN ART OF LIVING, LVMH HAS INHERENTLY HAD A LONGSTANDING AND NATURAL RELATIONSHIP WITH ENVIRONMENTAL PROTECTION. HOWEVER, SUSTAINED IMPROVEMENT IS A PERMANENT DUTY. BY ENCOURAGING A COMMITMENT FROM ALL OUR EMPLOYEES, BY SHARING IDEAS AND BEST PRACTICES, BY SETTING CLEAR AND VERIFIABLE OBJECTIVES, AND BY MAINTAINING A DIALOGUE WITH ALL OUR PARTNERS, WE WILL CONTINUE TO IMPROVE YEAR AFTER YEAR.

AS A SIGN OF OUR COMMITMENT AT LVMH, EACH OF OUR COMPANIES HAS IMPLEMENTED THE ENVIRONMENTAL CHARTER.

Since the early 1990s, the Environmental Department, which reports to the Chief Financial Officer, a member of the Executive Committee, has carried out the Group's stated goal to implement a comprehensive environmental policy. Each company is responsible for taking local action to implement the principles of the LVMH Environmental Charter through its own system of environmental management depending on its business line. Each brand may work to qualify for ISO 14001 certification. In 1998, Hennessy was the first company in the world to receive this distinction in the Wines and Spirits sector.

Several companies began reporting environmental information in 1999. In 2001, this reporting covered all of the production activities in France, where 74% of the production sites and warehouses are concentrated. The scope was expanded in 2002, and now includes 306 sites:

- for companies with production activities: the production sites and warehouses worldwide, which are owned by those companies and have been purchased before 2002;
- for companies with no production operations: the stores located in France and owned by those companies.



ADVANCING TOGETHER THROUGH EXCHANGE
In order to create a true synergy, the companies have representatives who sit on the “LVMH Environmental Commission”. Led by the Environmental Department, the commission coordinates and communicates the work of each member. The commission members meet on a quarterly basis to share ideas and experiences, set objectives, draw up action plans, design training sessions and launch pilot projects. All LVMH employees can log onto the Environment Intranet. This medium makes it easier to share environmental news, reports regulatory changes in real time, and offers a broad range of environmental management tools and best practices. Finally, the Group's companies can send their environmental information which, when consolidated, is presented in the management report. In order to ensure that their commitments are honored, that their management system is effective and that areas of improvement are identified,

** Environmental objectives for LVMH Group companies are described on page 27.*



*Chandon's site
in California.*

the Group's companies are audited regularly, either by outside parties, insurers or internal auditors. In 2002, 13 outside audits and 4 internal audits were conducted. For example, these audits were conducted at Louis Vuitton Malletier, completing an environmental audit of all of its manufacturing workshops. In the Watches and Jewelry division, auditors visited the TAG Heuer and Ebel sites, thereby enabling them to implement plans to improve environmental quality.

The quality of the Group's environmental policy and actions has been recognized by its inclusion in the three primary American, British and European ethical investment indices—the Dow Jones Sustainability Index, FTSE4GOOD, and the Arese Sustainable Performance Index. LVMH is one of five French companies to be so distinguished.

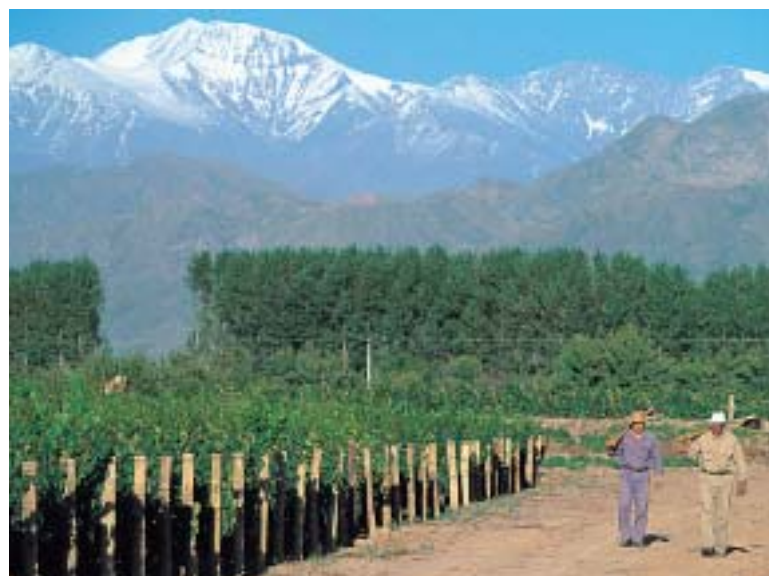
AN OPEN AND EXPANDED DIALOGUE WITH INTERESTED PARTIES

LVMH emphasized the communication of its action programs in 2002. The campaign began in 2001 with the publication of its first environmental report. Within the Group, the campaign took the form of approximately 5,700 hours spent in training and increasing employee awareness. The environment is addressed in the module used to integrate new managers. Their training also includes a fact book on the environment that increases employee awareness of environmental concerns.

Dialogue was also expanded with interested parties, i.e. customers, shareholders, associations, public authorities and, more generally, all of the communities involved with the production and distribution activities. They can all consult LVMH's website for information concerning the environment and submit questions to the Group at environment@lvmh.fr. Joint initiatives were conducted with other manufacturers, associations and local communities. LVMH is

Secretary General of France's OREE, an association that unites businesses and local governmental entities behind shared environmental objectives. LVMH works together with this association on such issues as environmental management, local consensus building, transport and logistics, and dialogue with NGOs. Under the aegis of the French National Accounting Board, LVMH has addressed environmental accounting. As a member of France's Corporate Social Responsibility watchdog organization (ORSE), and together with portfolio management companies, labor groups, and insurance institutions, the Group helps to identify best practices and to consider methods for implementation.

As part of the French National Packaging Council, LVMH helped to develop a pragmatic and educational approach for preventing packaging waste. Finally, Bernard Arnault chaired the Montaigne Institute's "man and climate" task force that considered methods to reduce greenhouse gas emissions and fight against climate change.



Bodegas Chandon's vineyard in Argentina.

DESIGNING AND FABRICATING ENVIRONMENTALLY FRIENDLY PRODUCTS

A GROUP WHOSE BUSINESSES CULTIVATE AN ART OF LIVING COULD NOT, OF COURSE, SURVIVE WITHOUT PROTECTING HEALTH AND BIODIVERSITY. EVERY DAY, AT EVERY SITE, EVERY DECISION MUST INCLUDE THESE PRIORITIES. BUT WE MUST GO FURTHER—DESIGNING PACKAGING THAT NEITHER WASTES RAW MATERIALS NOR CREATES UNNECESSARY WASTE IS GOOD MANAGEMENT AND PROTECTS THE ENVIRONMENT.



SAFELY EXTRACTING ACTIVE INGREDIENTS

In the Perfumes and Cosmetics business group, LVMH Research Laboratories integrate environmental safety when developing the active ingredients in a product, from the raw materials, like plants and seaweeds, through the manufacturing processes.

In the development of these extracts, whether in-house or by a supplier, an “eco-friendly” solvent, such as water or supercritical CO₂, is used whenever possible. Similarly, research is conducted to find new “green extraction methods”. In addition, the development of biological technologies offers alternative methods to chemical syntheses using solvents.

PROMOTING BIODIVERSITY

When the Laboratories’ partners suggest using a certain plant, whether it is found in Vietnam, Madagascar or South America, they have first considered the biodiversity and bioavailability of that plant. For the most part, these are plants that have been traditionally used; under no circumstances are protected, rare or threatened plants harvested. To eliminate any doubt, these partners work directly with local authorities. When an industrial expansion is planned, a study is conducted to assess the possibilities of gathering the plant in its natural habitat without degrading the environment. In most cases, the plant’s bark, leaves and other parts that grow back readily are collected. In some cases, there

LEATHER GOODS - REDUCING THE USE OF SOLVENTS

In 2002, Louis Vuitton Malletier continued with its program to substitute water-based glues for solvent-based ones in its workshops. The work focused on the spray workstations, where the risks of releasing solvent emissions into the air are greatest. At year end, 40% of the workstations with robotic sprayers were modified to use water-based glues. The objective is to have at least 70% of the workstations so equipped by the end of 2003.



ETHNOBOTANICAL CONSERVATION

Parfums Christian Dior recently developed an extract of Anogeissus Leiocarpus bark, a beautiful African tree from Burkina Faso. The company’s partner had observed traditional Burkinan uses of the tree bark to treat skin problems. After conducting biological and phytochemical research, the Laboratories developed an anti-aging/smoothness active ingredient named Anogelline. At Burkina Faso, bark harvesting was organized in close cooperation with the country’s Ministry of the Environment, which also trained local residents in good harvesting practices.



It was agreed to harvest only 1 to 1.5 kilograms of fresh bark, which does not harm the tree. Over 800 young Anogeissus Leiocarpus were planted, and a botanical garden was created at the same time to promote educational and scientific activities. The project had the indirect benefit of sensitizing the local population to the importance of preserving their environment and its biodiversity.



are plans to grow the plant as a crop. More ambitious projects are also under review, such as developing a natural park in Vietnam, supporting land reclamation and establishing a natural reserve in Madagascar.

Both the Fashion and Leather Goods and Watches and Jewelry business groups instituted procedures in 2002 to raise the level of compliance with the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES), which fights the overuse of animals and vegetation that are endangered as a result of international trade through a system of import and export permits.

COMBINING INNOVATION WITH TRADITION BY PRACTICING ENVIRONMENTALLY SOUND VITICULTURE

Integrated viticulture (viticulture raisonnée) is an advanced method that combines cutting-edge technology with respect for tradition, from planting the vines to harvesting the grapes. The LVMH Wines and Spirits companies adopted this method several years ago. This year, Moët & Chandon and Veuve Clicquot conducted internal audits of their operations as part of a process initiated for the Champagne region. Moving beyond the scope of its own vineyard, which is 100% operated using this approach, Veuve Clicquot has partnered with its grape suppliers for three years. Any supplier who wishes can obtain technical help from an agronomist who serves as a full-time liaison between the Champagne region's agricultural extension office and those wine growers working with Veuve Clicquot. This approach, which was

designed to increase the use of integrated viticulture and to improve the quality of wine growing methods, resulted in the successful implementation of this method on 80% of the suppliers' vineyards in 2002.

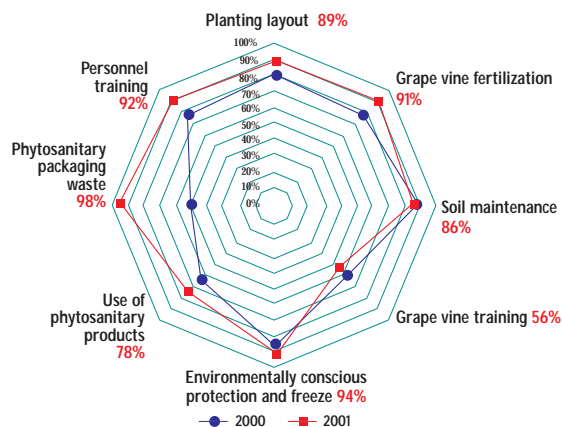
REDUCING THE USE OF PACKAGING MATERIALS

For several years the Group's companies have been examining the fragile balance between luxury and packaging. In order to design packaging that has a lower impact on the environment, the Environmental Commission developed a "Packaging and the Environment" tool, which any LVMH department involved in designing new packaging may freely consult on the Intranet.

Thus, in 2002, Parfums Christian Dior created a new packaging process for promotional articles that saved 92 tons of cardboard, for savings of around 53,000 euros. In Argentina, Bodegas Chandon replaced the white paper covering the cardboard boxes with 70% to 100% recycled paper for more than 40% of the boxes. Similarly, working closely with the supplier, the company achieved a higher amount of recycled glass in the used bottles, increasing from 20% to 50%. Among other initiatives, Sephora ships products to its French stores in plastic cases which are then returned to the warehouse. This closed circuit saves approximately 350 tons of cardboard waste every year. In addition, the customers in all its European stores receive their purchases in bags made of recycled paper.

Veuve Clicquot, for its part, formed a task force in 2002 composed of representatives from the Purchasing, Marketing, and the Packaging Development departments to improve the consideration of environmental concerns in product design.

COMPUTERIZED SELF-DIAGNOSIS INSTALLED THROUGHOUT MOËT & CHANDON AND VEUVE CLICQUOT VINEYARDS
(Example: Moët & Chandon's results in 2000 and 2001)



PACKAGING QUANTITIES SOLD BY GROUP COMPANIES IN 2002 (tons)

Wines and Spirits:	98,905
Perfumes and Cosmetics:	16,061
Fashion and Leather Goods:	2,540
Watches and Jewelry:	66
Selective Retailing:	670
Total	118,242

The Group uses a broad range of packaging to market its products:
 - Wines and Spirits – bottles, boxes, caps...
 - Perfumes and Cosmetics – bottles, cases...
 - Fashion and Leather Goods – shopping bags, folders, cases...
 - Watches and Jewelry – packaging of cases and boxes...
 - Selective Retailing – shopping bags, folders, cases...



SAVING THE RESOURCES OF OUR PLANET

WATER AND ENERGY USE ARE THE CORE CHALLENGES FOR ENVIRONMENTAL PROTECTION AND SUSTAINABLE DEVELOPMENT. LVMH HAS INCORPORATED THESE CHALLENGES IN THE OBJECTIVES IT SETS FOR ITS PRODUCTION SITES, AS WELL AS THE PRESERVATION OF LANDSCAPES AND ECOSYSTEMS. THIS APPROACH IS BEST ILLUSTRATED BY THE FIRST CARBON ASSESSMENT CONDUCTED IN THE CHAMPAGNE REGION BY THE GROUP'S COMPANIES IN 2002.

SAVING WATER AND ENERGY

For a long time, LVMH group companies have endeavored to conserve dwindling water resources. To further improve this effort, Moët & Chandon developed water recycling operations during all of its bottle cleaning operations and successfully tested the reuse of cold-process water to help cool a compressor, thus saving energy. In Argentina, Bodegas Chandon trained its employees in good water-saving habits and installed special equipment and procedures. To reduce the pollution load from effluents, Moët & Chandon and Veuve Clicquot teamed up in 2002 to build a pressing effluent treatment facility that operates through aerated storage followed by filtration on a bed of sand. Analyses performed showed that this process is fully effective and does not disturb any underground water tables. Bodegas Chandon and Domaine Chandon California have installed treatment basins for their effluents that can treat the water before using it for broad irrigation. Outside audits and analyses regularly monitor these systems.

Energy is essential for economic and social development and for improving the quality of life. However, it is crucial to adopt viable methods for production, distribution and use. Under Moët & Chandon's energy reduction program, task forces analyzed gas consumption. The actions initiated reduced consumption by nearly 1,400 MWh from 2001. Bodegas Chandon took a precise census of consumption machine by machine to set priorities.

In 2002, Sephora merged its three logistical sites, thereby eliminating inter-site shuttles, saving up to 50,000 kilometers a year and 16,000 liters of fuel.

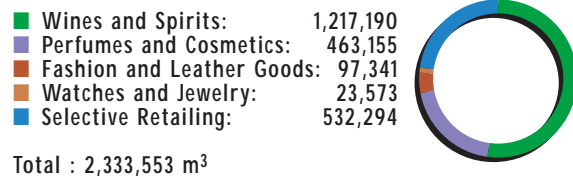
RECYCLE WASTE

Recycled waste is waste that enters one of the following routes: reuse (use for the same purpose as originally); recycling* (direct reintroduction of a waste product into the production cycle through total or partial replacement of an original raw material); incineration with energy production (recovery of the energy produced from burning the waste in the form of the electricity or heat).

Waste recovery offers two major advantages. It avoids releasing these materials into landfills and reduces the use of natural resources.

** The term recycling means organic recovery here, which consists of controlled spreading of organic wastes for soil fertilization.*

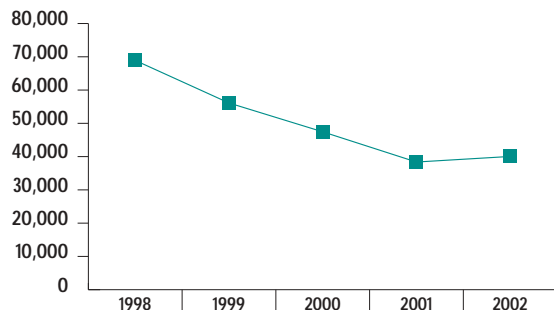
GROUP'S WATER CONSUMPTION BY BUSINESS GROUP IN CUBIC METERS (m3)



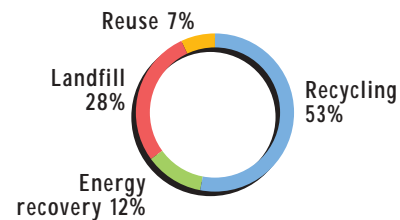
WASTE VOLUMES PRODUCED BY BUSINESS GROUP (In tons)



WATER CONSUMPTION TREND OF VEUVE CLIQUOT PONSARDIN'S SITES FROM 1998 TO 2002 IN CUBIC METERS (m3)

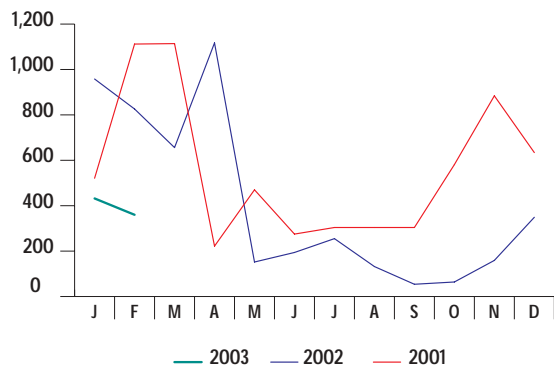


GROUP'S METHODS FOR ELIMINATING WASTE (in %)



A total of 72% of the Group's waste is recovered

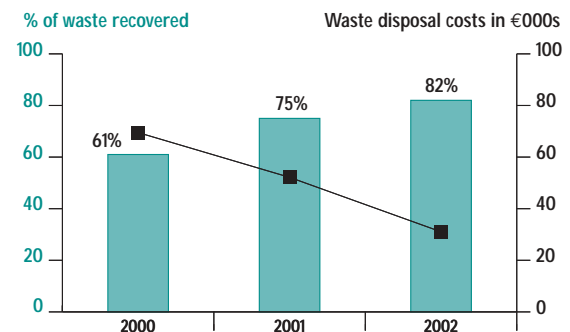
WATER CONSUMPTION TRENDS AT HENNESSY (m3)



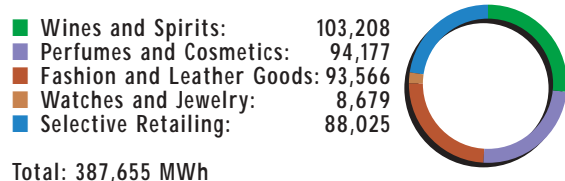
At Hennessy, the "water consumption trend line" revealed a leak in the underground network from early 2001 to early 2002. Finding it was difficult since the system is over one hundred years old. The repairs resulted in a significant reduction in water use.

WASTE RECOVERY AT VEUVE CLIQUOT IS A PROFITABLE OPERATION

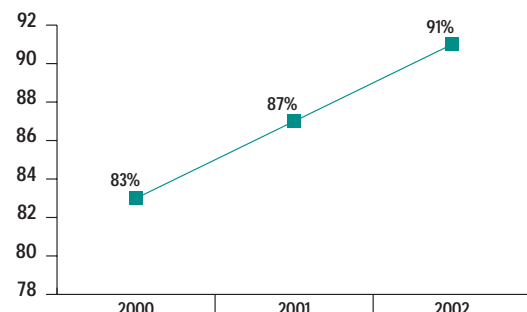
All by-products from Veuve Clicquot's winemaking are recovered. For other wastes, a selective sorting has obtained the following results:



ENERGY CONSUMPTION BY BUSINESS GROUP (MWh)



WASTE RECOVERY TREND AT GUERLAIN'S PRODUCTION SITES (in %)



BUILDING TO RESPECT AND ENHANCE THE LANDSCAPE

Each of Louis Vuitton's sites has a specific approach for maintaining the beauty of the surrounding landscape. Its newest site at Ducey in Normandy earned the 2002 award for the most beautiful metal construction project, a building materials category. This honor was awarded for all the initiatives taken by Louis Vuitton at its production sites.



Louis Vuitton Malletier workshop at Ducey.

In 2002, TAG Heuer built a new production shop in Switzerland that entirely meets environmental and safety standards. For example, it has a closed circuit heating system that treats and compacts dust.

Bodegas Chandon created 15,000 sq. m of green space around its site, and it reforested four hectares with Eucalyptus trees, which are irrigated with treated effluents..

THE FIRST CARBON ASSESSMENTS

Veuve Clicquot Ponsardin conducted a carbon assessment in June 2002 of all its activities, which followed similar studies at Christian Dior Perfumes and Hennessy a few months earlier.

The objectives of this study were to:

- identify carbon emissions and the main emission sources;
- develop a measuring tool to guide decisions to reduce greenhouse gas emissions;
- unite all the employees on an issue that exceeds the limits of the company.

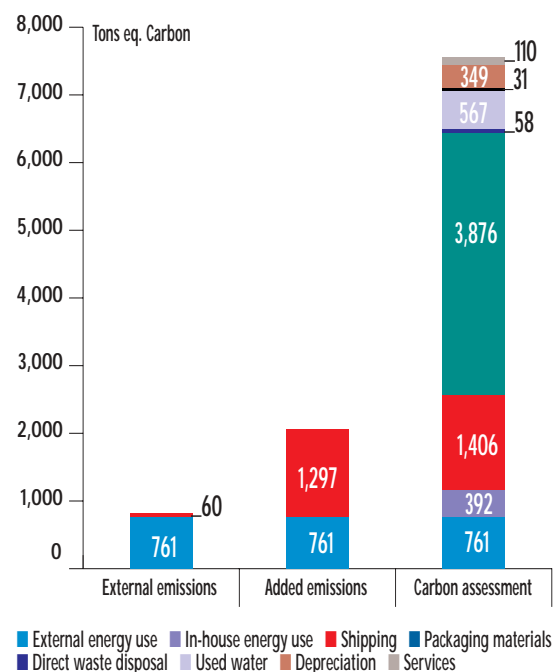
The assessment provides a complete site inventory of greenhouse gas emissions, from vine cultivation to shipment of champagne bottles. Thus, it provides a view of the business's total pressure on the environment.

To date, this method, first tested by LVMH, has been approved by the French *Agence*

de l'Environnement et de la Maîtrise de l'Energie (ADEME) and applied to other sectors.

In the three cases studied at LVMH, the results showed that its companies are more effective when working as contract givers with respect to shipping methods or choice of packaging materials than when acting within their legal parameters to reduce greenhouse gas emissions. For Veuve Clicquot Ponsardin, the results show that the fabrication of supplies and packaging generates 55% of its total greenhouse gas emissions. Shipping represents 17% of the emissions, energy consumption only 10%, and processing used packaging material accounts for 7%. In an effort to raise the consciousness of the greatest possible number of champagne makers, the results were then shared with industry. They are now being studied throughout the Champagne region.

RESULTS FROM VEUVE CLICQUOT'S CARBON ASSESSMENT



ENLISTING SUPPLIERS IN THE PROGRAM

In 2002, the "Supplier Tool" project arose from the desire of the companies of the LVMH Environmental Commission to find a better way to evaluate the environmental policies of their recent and longstanding suppliers and sub-contractors and to audit them, if necessary, to induce changes in their practices. This work will be completed in the second half of 2003.

ENVIRONMENTAL OBJECTIVES FOR LVMH GROUP COMPANIES IN 2003

LVMH CHARTER	STRATEGY	OBJECTIVE ASSIGNED TO THE COMPANY	COMPANY SECTOR
Aim for a high level of environmental performance	Strictly comply with environmental regulations.	Factor in regulatory changes and continue any required compliance efforts.	Watches & Jewelry Wines & Spirits Perfumes & Cosmetics Fashion & Leather Goods Selective Retailing
		Equip 70% of the spray stations with water-based glues to replace solvent-based glues.	Fashion & Leather Goods
	Reduce environmental impacts on the production, administrative, and shipping platforms—water, energy, waste, shipping, etc.	Sell back 25% of the leather scraps from the workshops for reuse.	Fashion & Leather Goods
		Reduce total water consumption by 5% (2005).	Wines & Spirits
		Reduce water consumption by replacing with a waste water-based air conditioning system.	Selective Retailing
		Establish a procedure for monitoring effluent quality.	Watches & Jewelry
		Set up an effluent treatment facility.	Perfumes & Cosmetics Wines & Spirits
		Reduce energy consumption for heating production plants by 10%.	Wines & Spirits
		Reduce the total volume of waste unloaded in landfills by 5%.	Wines & Spirits
Foster a collective purpose	Involve all LVMH partners.	Sensitize 300 new management and professional associates to environmental issues.	Holding Company + other companies
		Raise the level of environmental consciousness at the administrative sites. Prepare and distribute the “Green Action Guide for the Office”.	Holding Company
	Circulate the results throughout the organization.	Draft a document that summarizes the environmental accomplishments of the Group’s companies on the Environment Intranet for use by all partners.	Holding Company
Control environmental hazards	Have an effective management system that is audited at least every three years.	Obtain ISO 14001 certification.	Wines & Spirits
		Perform an environmental audit	Fashion & Leather Goods Selective Retailing
		Complete the project to implement sustainable growth indicators for the Executive Committees.	Holding Company + Wines & Spirits
	Detect all risks to the environment, prevent them and reduce them.	Set up a program to prevent accidental pollution by containing water used to extinguish fires, containing all liquid pollutants and installing scrubbers and oil separators.	Perfumes & Cosmetics
		Conduct fire-prevention engineering inspections that include an environmental component on 30 sites.	Holding Company
		Construct a retention system for the wine making site.	Wines & Spirits
Follow-through on product disposal	Integrate the environment in the design of Group products, both in-house and when working with suppliers and sub-contractors.	Raise the level of environmental consciousness among the Group’s suppliers by completing and circulating the “Supplier Tool”.	Holding Company + Other Companies
		Integrate the environment in the entire process of designing and producing a new product.	Wines & Spirits
Make commitments outside the company	Be involved with suppliers.	Have outside companies commit to greater environmental concern by drafting an environmental code and making presentations to companies by 2004-2005.	Wines & Spirits
		Reduce the emissions of pollutants related to transport 50% by having the shipper replace the assigned vehicle fleet with new trucks that comply with the EURO 3 standards.	Selective Retailing
		Participate in the Sustainable Development Week from June 2 to June 8, 2003 in partnership with the French Ministry of Ecology and Sustainable Development.	Holding Company + Other Companies
		Pursue joint actions with the 12 partner organizations and associations.	Holding Company
		Inspect all of the suppliers’ distilleries through visits and questionnaires and program corrective actions if needed.	Wines & Spirits