

# Preserving the environment

## VISION AND STRATEGY

Because our businesses are profoundly linked to nature, respect for the environment has always been at the heart of the efforts of the companies in the Group and the values that drive them. It is a cornerstone of the LVMH mission - to promote quality and an art de vivre worldwide as exemplified by its products. We must, therefore, also become an example in the environment. The Environmental Charter adopted in 2001 sets out the Group's concrete commitments: to aim for a high level of environmental performance, to foster a collective purpose, to control environmental hazards, to guarantee the future of our products, and to make commitments beyond the company.

## RELATIONSHIP BETWEEN LVMH AND THE ENVIRONMENT

Like any human activity, the Group's operations have an impact on the environment that varies in type and scope depending on the activity. For almost all companies, those activities are:

- Consumption of **energy** to operate equipment, to light and heat buildings or certain specific operations (cold stabilization of wine, distillation of cognac).
- Consumption of **raw materials**, primarily the materials used in packaging: glass, cardboard, plastic, and metals to a lesser extent.
- Production of **wastes** at the sites.
- Air pollution by energy use, particularly during the **shipment** of merchandise.

Wines & Spirits and Perfumes & Cosmetics have other specific needs, such as the consumption of **water**, an essential resource for ensuring the safety of the materials and equipment that come in contact with the product, or to ensure the survival of vines (irrigation of vines in Australia, New Zealand, Argentina and California), and the production of **liquid effluents** that are rich in organic matter. The Wines & Spirits sector has an impact from the use of the **soil** to grow vines.

## A COMMITMENT CLEARLY ASSERTED

LVMH formed its environmental department in 1992 and Bernard Arnault chose to affirm its commitment in 2001 by signing the "Environmental Charter". The Charter asks each company of the Group to make a commitment to set up an effective environmental management system, review product-related environmental issues together, manage risks and use the best environmental practices.

As a member, LVMH is also committed to respecting the principles of the OREE Association Charter<sup>1</sup>, which has been in place since 2001.

In 2003, Bernard Arnault signed the United Nations' Global Compact. This initiative, launched by UN Secretary General Kofi Annan requires its signatories to apply and promote nine principles in the field of human rights, labor and the environment.

## A NETWORK ORGANIZATION

The environmental department reports to the Advisor to the Chairman, who is a member of the Executive Committee.

The role of this department is to:

- Steer the environmental policy of the Group's companies, based on the LVMH Charter.
- Monitor regulations and technology.
- Create and develop environmental management tools.
- Assist companies to anticipate risks.
- Train and raise employee awareness at every level of the organization.
- Define and consolidate environmental indicators.
- Work with the various sector participants (associations, public authorities, ratings agencies, etc.).

The companies have one or more contacts who are members of the "LVMH Environment Commission", run by the environmental department. They exchange information and good practices through quarterly meetings and a Group Environmental Intranet that is accessible to everyone. The environmental department also regularly attends meetings of the Company Executive Committees.

Each company is responsible locally and implements its own environmental management system, which organizes the principles of the LVMH Charter according to its activity and with a view toward ongoing improvement. It can decide whether or not to move toward ISO 14001 or EMAS certification.

## THE GROUP AND ITS STAKEHOLDERS

### ASSOCIATIONS AND FEDERATIONS

Since 2003, LVMH has chaired the OREE association, and has been a member of this group for 11 years. OREE is composed of businesses, local authorities and associations to develop a joint position and create tools to improve environmental awareness. LVMH was heavily involved in 2004 in the creation of the guide for integrating the environment in customer-supplier relations.

The Group is also a member of the environmental committees of many national professional associations (Comité Colbert, Fédération des Industries de la Parfumerie, Institut de Liaison des Entreprises de la Consommation [ILEC], Organisation pour la Responsabilité Sociale des Entreprises [ORSE], Association pour le Management des Risques et des Assurances de l'Entreprise [AMRAE], Association Française des Entreprises Privées [AFEP]), and European associations (Association des Industries de Marques [AIM]). Moët Hennessy also sits on the Board of Directors of Adelphe and LVMH is a shareholder of ECOPAR (Eco-packaging), two entities that assist local governments in sorting and recycling household waste. LVMH also worked with the Institut du Développement Durable et des Relations Internationales (IDDRI) to prepare a Charter on the sustainable and equitable use of bio-resources.

(1) The OREE Charter is available at the association's website: <http://www.oree.org>

The Group's environmental department maintains regular relationships with consumer and environmental protection associations, either directly through formal or informal periodic meetings, or through the organizations listed above in which the Group is active. A meeting was organized within the Environmental Commission with the Liaison Committee for Renewable Energies for the purpose of informing the environmental agents and raising their awareness of energy savings and the use of renewable energies.

The champagne companies are also involved in promoting the environmental theme in the champagne profession: Veuve Clicquot and Moët & Chandon participate in the Champagne Environment Commission of the CIVC (Comité Interprofessionnel des Vins de Champagne).

## INVESTORS AND SHAREHOLDERS

The Group, which is a publicly traded company, receives questionnaires throughout the year from shareholders and investors, to which it responds. Approximately ten questionnaires with a significant environmental component were answered in 2004. There were also meetings with several of these groups throughout the year.

## CUSTOMERS AND SUPPLIERS

For its "Environmental trendbook"<sup>2</sup>, which was distributed in 2004 to the Marketing Directors of the companies, LVMH relied on a work group that included the Fédération des Industries de la Communication Graphique and Printers to produce an environmentally friendly document.

The companies in the Group have developed numerous initiatives to raise environmental awareness with their suppliers, including a Charter (Sephora), environmental criteria in General Purchasing Terms and Conditions (Vuitton, Veuve Clicquot, Hennessy, Moët & Chandon, etc.)<sup>3</sup>.

Moët & Chandon responded to the invitation from the French Agency for the Environment and Energy Control (ADEME) for applicants to set up a pilot program to reduce waste. This action is designed for companies that have already established environmental measures. Moët & Chandon was officially selected from among 100 companies in France and, as a result, will be assisted by a consulting for two years to reduce the production of waste at the source by at least 10%. Moët & Chandon, which already sorts 95% of its waste products, will work jointly with its suppliers over this two-year period to reduce supplier packaging.

In the "Lettre aux livreurs" that is periodically distributed to its 1,500 suppliers of wine and eaux-de-vie, Hennessy makes recommendations to improve their environmental practices.

## GENERAL PUBLIC

Louis Vuitton was selected to participate in the Aichi 2005 Expo in Japan on "Nature's Wisdom", as the representative of France, which chose sustainable development as its theme. Approximately 15 million visitors from all over the world are expected to attend this exhibition. Louis Vuitton will use this opportunity to

showcase its environmental initiatives, including the results of its "carbon balance sheet"<sup>4</sup>.

In 2004, Hennessy also published a booklet titled "Environment at the heart of our businesses", which was translated into four languages and targeting visitors. It describes the primary results of the company's environmental management obtained through rational use of resources, the limitation of risks and pollution control.

In addition to these many opportunities for interaction with stakeholders, anyone can ask the Group about environmental questions on the Internet at: [environment@lvmh.fr](mailto:environment@lvmh.fr).



## CONTINUED IMPROVEMENT IN ENVIRONMENTAL MANAGEMENT SYSTEMS

The Group brands must develop their own environmental policy adapted to their business and set their own goals<sup>5</sup>. The companies that wish to, can have their management system certified by a third party. This is exactly what Hennessy did when, in 1998, it was the first company in the world to receive ISO 14001 certification in the Wines and Spirits sector. This certification has been renewed twice since then (2001, 2004) and is valid for all its sites.

Hennessy drew up its second environmental policy in 2004 (the first one dates from 1997). For the first year, its subsidiary La Groie distillery was also certified.

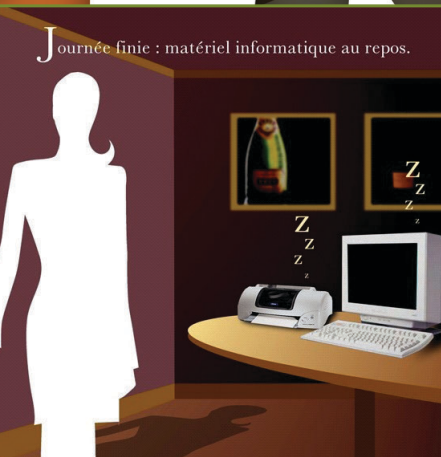
On February 12, 2004, Krug and Veuve Clicquot officially obtained ISO 14001 certification, at all their champagne sites, for all the stages of champagne production, from cultivation of the vine to product shipment, and including packaging design and development.

Louis Vuitton Malletier has also pursued ISO 14001 certification. It successfully completed the first follow-up audit of a production site, which was certified in late 2004. It has established an action plan to raise employee awareness at the logistics platform, developed ongoing environmental indicators, which have now been extended to all the activities of the company.

## NUMEROUS INITIATIVES TO INCREASE EMPLOYEE AWARENESS

In 2004, 9,800 hours of environmental sensitivity training  were provided by the companies in the Group, for approximately 4,000 employees. This represented a 16% increase in the number of hours over 2003.

(2) See page 6 – (3) See page 7 – (4) See page 10 – (5) See, pages 15 to 18.



There was a particular emphasis on environmental sensitization and training initiatives in the Wines and Spirits sector, which accounted for 71% of the sensitization and training hours:

- More than 3,300 hours were devoted to this issue at Moët & Chandon and all its wine-producing sites, and more than 1,800 hours at Moët Hennessy Wine Estates (the Group's wine companies outside France).
- At Veuve Clicquot, the 2004 harvest was an opportunity to make all grape pickers and seasonal staff, i.e. more than a thousand people, more sensitive to an environmental approach. Selective sorting and controlling water and energy consumption were emphasized.
- Krug provided training to all new arrivals and some of the service providers working on site.

At Parfums Givenchy, over 500 hours were devoted to training in energy savings and waste sorting for the 600 production site employees. Sales staffs receive a practical and theoretical training that includes an environmental component.

In addition to these initiatives, the Group companies continue to distribute written information regarding the environment:

- The in-house magazine "LVMH Magazine" has a section titled "LVMH – a good Corporate Citizen", which systematically reports on information about the environment in the Group.
- Following the example of Hennessy, Moët & Chandon and Veuve Clicquot, Louis Vuitton has distributed a "green guide" to all employees at its corporate offices in Paris.
- Parfums Givenchy provided a "sustainable development booklet" to all its employees.
- Hennessy includes an educational section on the environment in its in-house newspaper.
- Veuve Clicquot and Krug send e-mails to the 177 office workers every two weeks as part of their effort to inform and make employees aware of the small things that can be done each day to lessen environmental impacts: lighting, heating, electric consumption, waste reduction (recycling of paper, printing both sides of a page, etc.), waste sorting and water savings.

In 2003, Veuve Clicquot incorporated an environmental component, based on water and energy consumption, in the calculation of employee profit sharing. This incentive, coupled with the greater staff awareness and the implementation of water saving measures, has contributed to a 17% reduction in water consumption.

New managers receive information on the Group's environmental strategy, the tools available and the environmental network as part of the "Orientation for new managers" seminars.

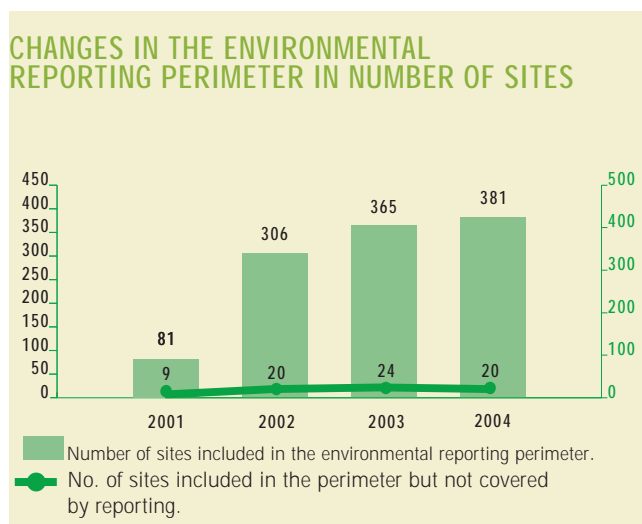
During "Sustainable Development Week", workshops on LVMH and the environment were conducted for all employees of the holding company, "Sustainable Development Card Games" were distributed and a recreational course was organized at the Boulogne site. The card games were also distributed outside the Group, particularly at the Pollutec exhibition.

A team of LVMH internal environmental auditors was formed in 2004. The objective was to form a team of experts capable of making a rapid assessment of the environmental status of a site at the request of a company. Fifteen individuals had three days of training in environmental audit techniques, followed by a "field" day. Five sites at the Guerlain, Vuitton, la Samaritaine, Kami and Parfums Christian Dior companies were audited and now have an environmental action plan to achieve further improvement. 48 other internal audits were also conducted at the initiative of the Group's Wines and Spirits companies, primarily to monitor their environmental management system. Eleven outside audits were also conducted by third parties (insurance companies, ISO 14001 auditors, etc.) in the Wines and Spirits and Perfumes and Cosmetics sectors.

A total of 34 additional environmental audits (both internal and external)  were conducted in 2004.

Following the ISO 14001 certification audits at Veuve Clicquot, the certification company's rating system went further than just a compliance assessment and assessed the overall environmental performance of the Integrated Environmental Management System, which earned a rating of 8/10.

In addition to these audits, the companies periodically conduct numerous compliance audits on their sites to verify a specific environmental regulation (waste sorting for example). In addition to these verifications, insurance companies have reviewed environmental regulatory compliance since 2003. The insurance companies included an environmental component during fire engineering inspections at Group company sites. Thirty Group sites were evaluated in 2004, bringing the total number of sites visited in France since the implementation of the program to 60.



## ENVIRONMENTAL REPORTING: IMPROVING THE SCOPE OF COVERAGE AND REFINING THE DATA

Reporting of environmental indicators, which was set up in 1999 in a few companies, covered the following in 2004:

- The production sites and warehouses held and/or operated by the companies in which the Group has more than a 50% interest or in which it does exercise operational control.
- The boutiques located in France belonging to Sephora, la Samaritaine, Le Bon Marché and Louis Vuitton Malletier, the principal DFS and Fendi boutiques.
- The main administrative sites in France.
- The fleets of vehicles owned by the Group in France and used for employee travel.

The changes in the environmental scope from 2003 relate to the following:

- Exclusion of data from 15 administrative and production sites of the Ebel, Artecad companies (sold or being sold at December 31, 2004), MountAdam and La Brosse & Dupont (site move).
- Inclusion of data from 36 sites: 4 warehouses (Louis Vuitton, DFS, Kami) and 32 boutiques (DFS, Louis Vuitton, Fendi).

In 2004 the reporting involved 381 sites; there was no reporting on 24 sites defined within this scope, as their environmental impact was not significant in relation to the impact of the Group as a whole.

Reporting does not include:

- The environmental impact (water, energy, etc.) of the administrative buildings and boutiques operated directly or under franchise by the Perfumes and Cosmetics and Fashion and Leather Goods sectors and not mentioned above.
- The fleets of vehicles owned by the Group outside France and used for staff travel.
- Energy consumption related to the shipment of the merchandise exclusively performed by outside service providers.
- The companies in which the Group is a majority shareholder with less than 50% or in which it does not exercise operational control.

In comparison to the scope of financial reporting, the environmental perimeter for 2004 accounts for:

- 92% (in number) of production sites, warehouses and administrative sites.
- 40% (in area-m<sup>2</sup>) of all the Group sales areas.

The long-term objective is to provide reporting on the entire perimeter.

Information presented in this document incorporate the guidelines of the Global Reporting Initiative and the provisions of Implementing Decree 2002-221 of the New Economic Regulations Law, as well as the indicators for environmental impacts.



# Integrating environmental concerns in Group's products

Environmental preservation is implicit in the very notion of luxury. Integration of environmental concerns in Group's product development remains a high expectation, even if most consumers are not yet expressing this expectation in specific terms. To ensure that the products manufactured are environmentally friendly, the companies of the Group are kept up-to-date on a monthly basis concerning regulatory requirements through the Environmental Intranet and of the best practices and processes available.

## BIODIVERSITY, HEALTH AND GROUP'S PRODUCTS

### ANIMAL AND PLANT SPECIES CONSERVATION AND BIODIVERSITY

The Fashion and Leather Goods and Watches and Jewelry sectors have established procedures to strengthen compliance with the Convention on International Trade in Endangered Species (CITES), which fights overexploitation tied to international trade in certain endangered animal and plant species through an import/export licensing system.

The initiatives of the LVMH Perfumes & Cosmetics Research laboratories aimed at developing ethnobotanical research and long-term partnerships were intensified in 2004. At the end of May 2004, they organized the first Forum on "Africa and Beauty: between Tradition and Modernity" in Koro and Bobo Dioulasso in Burkina Faso. This forum, which brought together local players (botanists, traditional practitioners, NGOs, institutions, representatives of local communities, etc.) was an opportunity to formalize the work conducted by the LVMH Perfumes & Cosmetics Research laboratories since 1996--the development of a participatory system for harvesting the bark of the *Anogeissus leiocarpus* tree in partnership with the village of Koro and a service provider.

Along the same lines, a local project was created in Malaysia to "re-measure the ecological parameters of permanent plots of liana in the Pasoh Forest Reserve" with the help of a specialist in plant biodiversity. This type of project, focused at the local level, seeks to reconcile scientific plant research for the cosmetics of tomorrow with micro-dynamics at the level of the exploration region.

In 1989, the Perfumes and Cosmetics brands decided to ban animal testing on all products marketed; the Group uses and develops alternative methods in its laboratories and provides financial and technical support for the SCAAT [Steering Committee on Alternatives to Animal testing] program developed by the European cosmetics industry. The LVMH laboratories are the leaders in allergy research.

### CONSUMER HEALTH AND SAFETY

Following the example of Parfums Christian Dior, which announced its decision publicly in 1989, LVMH does not conduct any

animal testing on the products marketed by the different brands of the Perfumes and Cosmetics business group.

Furthermore, for several years, LVMH, in collaboration with university teams, has been researching new alternative methods, particularly in the field of allergies. The Group's toxicologists have also participated in the validation group that led to official recognition of several methods: phototoxicity, eye irritation, and skin penetration.

LVMH's objective is clear--to make every effort to ensure consumer safety with respect for animals.

All of the products used today comply with the consumer health safety requirements prescribed by Council directive 76/768/EEC. This "cosmetics directive" regulates all substances used by the cosmetics industry and requires that a risk assessment be performed by a qualified person under his responsibility for each product marketed, taking into account the conditions of use. Furthermore, the European Consumer Products Scientific Commission (SCCP) continuously evaluates the safety of the substances used in cosmetic products.

The Group is particularly careful to comply with regulations, the opinions of scientific committees, and the recommendations of our professional associations; in addition to these guidelines, the toxicologists responsible for product safety take scientific developments into consideration and establish their own rules to which suppliers and development teams are required to adhere.

The experts participate regularly in the work groups of the national and European authorities, and are very active in professional organizations.

## DEVELOPING ENVIRONMENTAL AWARENESS IN PRODUCT DESIGN

### ONGOING ENVIRONMENTAL DESIGN APPROACHES

More than 90% of the Group's product packaging is made up of glass and paperboard, materials that are very easy to recycle. For the 50 companies of the Group, the quantity of product packaging placed on the market throughout the world was 137,423 tons, close to 3% of the quantity of household packaging waste generated in France.

The following packaging components are included:

- Wine and Spirits: bottles, cardboard, corks, etc.
- Perfumes and Cosmetics: bottles, boxes, etc.
- Fashion and Leather Goods: shopping bags, pouches, boxes, etc.
- Watches and Jewelry: box and case packaging, etc.
- Selective Retailing: shopping bags, pouches, boxes, etc. For Sephora, the figures used include all Sephora brand product packaging given to consumers and distributed worldwide.

Veuve Clicquot continued its program to increase environmental awareness in designing its products. Following the establishment of the work group, the company plans to base the

**An LVMH innovation: the first Environmental Trendbook**

The trendbook is a tool already used by the creation, design and marketing departments of the Group's companies to anticipate market trends, changes in behavior and the materials and products of tomorrow. To stimulate a desire for greater integration of environmental concerns in products and practices, the LVMH Environment Division chose to adapt and implement this principle; the first "Environmental Trendbook" was distributed in October 2004.

This initiative was achieved jointly with a style firm to research 2006 trends and with an environmental consulting firm for the rigorous selection of materials, products and innovative, environmentally-friendly technologies.



complete design of a new product on these ecodesign principles by 2005.

**REDUCTION OF PACKAGING AT THE SOURCE**

A prevention method par excellence, the reduction of packaging at the source combines a large number of environmental and economic advantages: fewer products purchased and, at the end of life, less waste to be treated, less road transport, etc. Numerous initiatives have been initiated by the Group's companies along these lines.

In 2004, Moët & Chandon initiated a program to reduce its waste at the source by 10% in two years, in partnership with the Agency for the Environment and Energy Control (ADEME). They worked with packaging suppliers to increase the possibilities for using consigned packaging. That same year, the company eliminated

wood packaging on the 3-box case of Dom Pérignon Rosé: this reduced the total weight of the case by 48%.

The shipping cases for Kenzo Parfums products are now also used in the stores, thus minimizing the use of new cardboard and reducing the volumes used.

Pursuing an initiative that began in 2003, Hennessy saved 27 tons of metal associated with the use of the Rol Top cap (polyethylene and aluminum) instead of the tin cap for the VS 100 cl bottle.

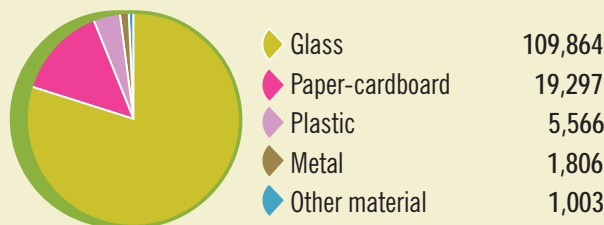
Parfums Givenchy established initiatives to replace certain packaging items with components that are easier to recycle at end of life:

- For 130,000 units of finished products (6 product items) polystyrene packaging pads, which are difficult to recycle, were replaced with completely recyclable corrugated, saving 11 tons of this plastic (around 500 m<sup>3</sup>).

**AMOUNT OF PACKAGING MARKETED IN 2004 (TONS)** ✓



**AMOUNT OF PACKAGING BY TYPE OF MATERIAL (TONS)** ✓



- The film coating<sup>1</sup> for boxes was partially eliminated.
- Non-recyclable bottles were eliminated.

At Louis Vuitton, the establishment of a procedure to optimize cardboard packaging allowed an 8% savings on the cardboard surface used. Furthermore, eliminating the film wrap on cardboard of finished products, begun in 2003, generated a savings of 510,000 m<sup>2</sup> of plastic film in 2004.

Bodegas Chandon Argentina continues to work with its suppliers to use lighter bottles, optimize their cardboard packaging and reduce production rejects in house. Since 2002, with the help of suppliers, most of the cardboard cases have been made of recycled cardboard. This company sorts and resells the recyclable waste of its employees and the neighborhood (paper, cardboard, glass, PET). The money collected is used to finance the social programs of company employees involved in volunteer activities.

### STRENGTHENING ENVIRONMENTAL REQUIREMENTS WITH SUPPLIERS, SERVICE PROVIDERS AND SUBCONTRACTORS

Supplier and subcontractor compliance with environmental requirements is the goal of the "supplier tool" developed in 2002 by the Environment Commission for all of the companies of the Group. This tool lists the environmental requirements and the environmental aspects to be taken into consideration during supplier audits or when drafting contracts and specifications. The LVMH team of in-house environmental auditors can perform environmental compliance audits for suppliers or subcontractors at the request of the Group's companies.

Sephora has worked to integrate environmental requirements into supplier specifications. An ethics and environmental charter is being finalized. This document must be signed by all suppliers during the listing phase and, therefore, before any orders are placed. Likewise, Louis Vuitton has drafted environmental requirements in its contracts.

At Parfums Givenchy, suppliers have been sensitized to strict compliance with European packaging standards. They received specifications requiring that their packaging conform to Decree 98-638 of 07/20/98 accompanied by a specific letter of commitment that they had to sign and return.

General specifications have been defined for purchasing advertising materials in all companies of the Wines and Spirits business group. Data sheets on delivery and palletizing have also been added. These documents cover various points related to environmental protection:

- Reduction of packaging at the source.
- Reduction of atmospheric emissions.
- Reduction of waste and recycling chains.
- Treatment of effluents.
- Reduction of water and energy consumption.
- The absence of soil pollution.

These elements will be included in the audits grid, and will be used as support in supplier audits.

In particular, Moët & Chandon and Veuve Clicquot have set up a complete guide for conducting environmental audits at printers' shops.

Hennessy continued its work to assist its partner distilleries in their environmental efforts and in the implementation of good agricultural and oenological practices among wines and spirits shippers.

Veuve Clicquot sensitizes and informs all service providers and subcontractors working at its sites about environmental issues. This company has also continued its actions with its grape shippers: awareness training in integrated viticulture practices before each pre-harvest meeting for 404 shippers, 11 technical wine-making meetings during the winter, and a technical summer day attended by 150 people. Five pilot operations have been designated to test a software application that will assist in establishing integrated viticulture practices. As of April 2005, Veuve Clicquot will offer its operators technical advice based on the areas for improvement identified by this program.

(1) Film coating consists of adding a layer of plastic polymer to the box cardboard for esthetic reasons, making them more difficult to recycle.

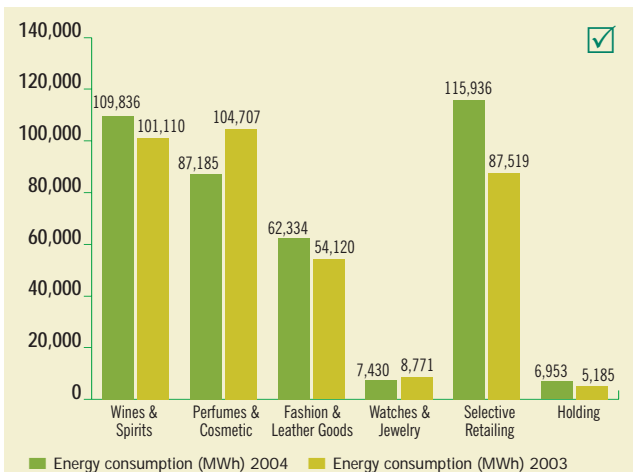
# Environmental impact of the Group's sites

True to its desire to reduce the environmental impact of its activities and in line with the Environmental Charter, the Group pursued policies in 2004 to reduce water and energy consumption and greenhouse gas emissions and to increase its percentage of reclaimed waste.

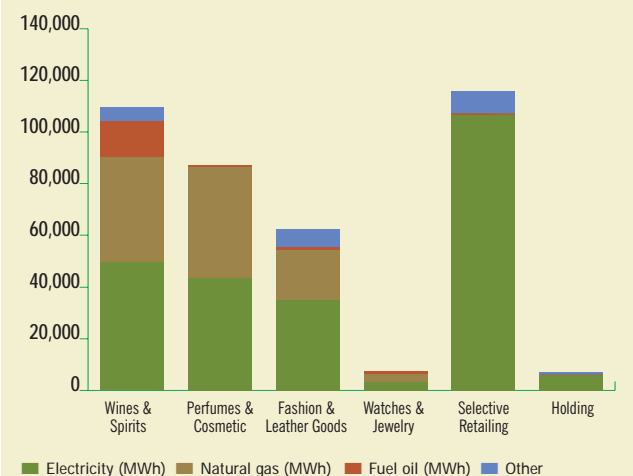
## ENERGY CONSUMPTION

In 2004, the companies included in the environmental reporting perimeter consumed 389,673 MWh of energy, divided among the following energy sources: 63% electricity, 27% natural gas, 4% fuel oil and 6% other energy sources (steam, butane or propane). This consumption stems in large part from the Selective Retailing (30%), Wines and Spirits (28%), Perfumes and Cosmetics (22%) and Fashion and Leather goods (16%) sectors. The remaining 4% was generated by Watches and Jewelry and the Holding Company's administrative activity.

In comparison, consumption of electricity and natural gas was 129,000,000 MWh for the industrial sector in France (MINEFI data, 2001).



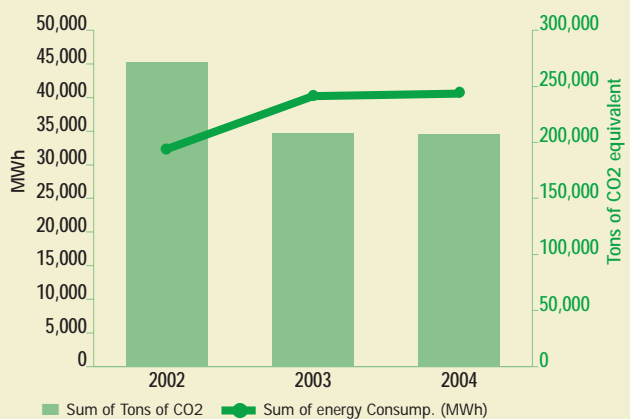
## ENERGY CONSUMPTION BY ACTIVITY AND BY SOURCE IN 2004 (MWh)



Between 2003 and 2004, energy consumption as an absolute value increased 7%. This is due to:

- Changes in the reporting perimeter, particularly the integration of 12 DFS stores that contributed 30,000 MWh.
- And to a lesser extent, to stronger activity in the Wine & Spirits and Fashion and Leather goods sectors.

## CHANGES IN ENERGY CONSUMPTION (MWh) AND GREENHOUSE GAS EMISSIONS (TON OF CO2 EQUIV.) AT THE LVMH PANEL \* SITES



\* See definition on footnote (2) page 9. Rate of coverage compared to the 2004 environmental reporting perimeter for this indicator: 63% of MWh consumption and 47% of greenhouse gas emissions.

In 2004, Louis Vuitton conducted studies intended to reduce energy consumption in its stores for each type of lighting (ceiling, furniture, display windows, etc.) in order to reduce the number of lighting sources and installed power by implementing the most innovative technologies. Tests were performed in different stores and are currently being validated (Birmingham, Lyons, Monaco, Madrid...). The objective is to reduce energy consumption due to lighting in the stores by a third.

Efforts have also been made in the Vuitton plants with the establishment of automatic lighting shut-offs and the expansion of natural lighting (in San Dimas and Barbera: - 9 %).

At the Parfums Givenchy production sites, special emphasis was placed on reducing energy consumption in 2004:

- In April, sensitization of 600 employees to energy losses.
- Replacement of standard light bulbs with fluocompact bulbs throughout the two sites, generating a 15% savings in the use of lighting.
- Installation of sector energy meters, providing better measurements of the savings realized.
- Completion of feasibility studies for a cogeneration system that would make it possible to eliminate one gas-fired boiler.



## WATER CONSUMPTION

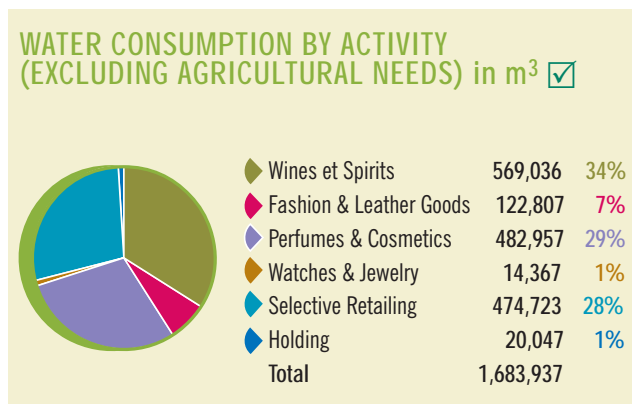
Water consumption is divided into two distinct uses:

- Process requirements: use of water for cleaning operations (vats, products, equipment, soil), air conditioning and personnel use... The water used produces waste water.
- Agricultural requirements: use of water to irrigate vineyards outside France (where irrigation is not practiced). The water is drawn directly from the natural environment. Its use from one year to another is tied strictly to climate variations.

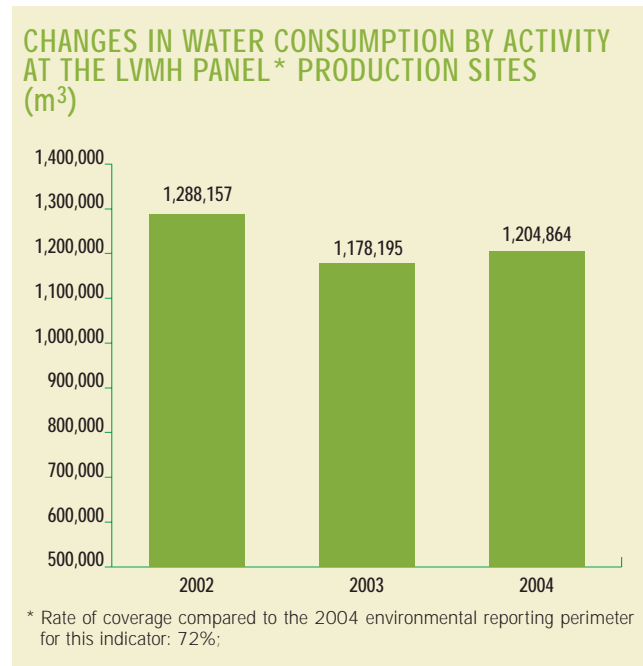
Using water to irrigate vineyards is necessary for the survival of the vineyards in California, Argentina, Australia and New Zealand. This practice, closely supervised by the local authorities that issue water withdrawal permits, is subject to numerous measures intended to limit water use:

- Rain water collection (Domaine Chandon California, Domaine Chandon Australia, Bodegas Chandon Argentina), reuse of treated waste water (Domaine Chandon Carneros, California), collection of runoff from artificial lakes (Newton).
- Establishment of protocols to measure and describe water requirements: analysis of the soil and leaf moisture, visual inspections of the vines, adaptation of procurement to the needs of each parcel (Domaine Chandon Australia).
- Widespread use of drip irrigation (between 73 and 100% of vineyards covered by this practice).
- Weather monitoring for optimized adaptation of irrigation (weather stations in place in Chandon California).
- Periodic checks of the irrigation systems to prevent risks of leaks.
- The practice of "reduced deficit irrigation," which both limits water use and improves the quality of the grapes (maintaining the size of the grape allows a concentration of flavors and color).

In 2004, these companies used 7,445,085 m<sup>3</sup> of water for vineyard irrigation. The "process" requirements in 2004 were 1,683,937 m<sup>3</sup>; the breakdown by sector is as follows:



Despite an increase in the number of sites included in the reporting perimeter between 2003 and 2004, this consumption decreased as an absolute value by 2%<sup>1</sup>. With a constant reporting perimeter, water consumption at the production sites of the "LVMH panel"<sup>2</sup> has decreased 6% since 2002, confirming this downward trend.



Numerous initiatives explain this change. The new Moët & Chandon pressing center (capacity of 600,000 kg/day in Oiry in Marne), inaugurated during the 2004 harvest and designed to be environmentally friendly, allowed significant water savings: for one kilogram of grapes pressed, only 0.2 liter of water is now used, thanks in particular to the installation of automatic cleaning equipment for the presses and picking boxes and the installation of an automatic washer for soil cleaning. This same company changed the cold production equipment at its Epernay production site, generating a savings of 14,000 m<sup>3</sup> of water per year.

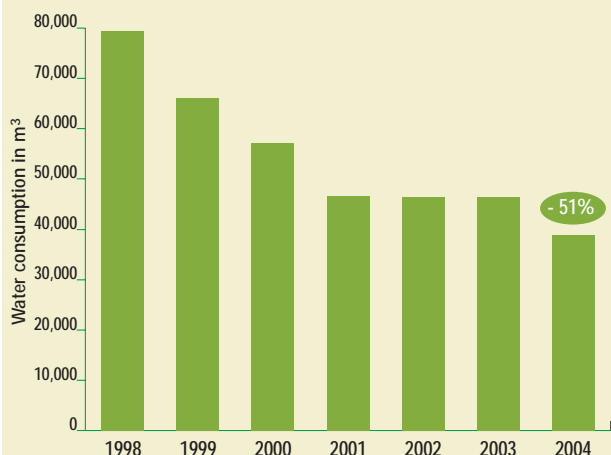
At the Parfums Givenchy Beauvais site, the installation of a cooling loop on the cosmetic manufacturing tanks in place of a wastewater cooling system reduced water consumption at the site by 40%. The company also replaced the valve opening systems with infrared detection devices, allowing more limited activation.

At the Louis Vuitton Barbera plant, the installation of valves and fittings and more economical flushing apparatus cut water consumption by 12%.

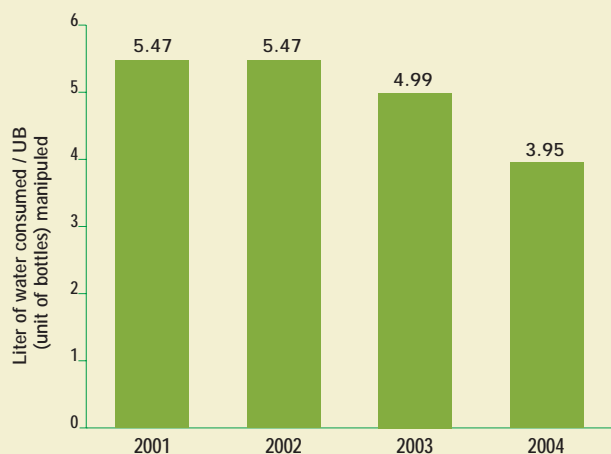
(1) 1,710,389 m<sup>3</sup> of water consumed in 2003 (total modified since the publication of the 2004 annual report due to conversion errors for the production plant sites outside France).

(2) To track the changes in major indicators for a constant reporting perimeter over three years, a panel of the Group's main production sites has been defined. It includes French (Moët & Chandon, Veuve Clicquot Ponsardin, Hennessy, Parfums Christian Dior, Parfums Givenchy, Guerlain, Louis Vuitton Malletier) and Swiss (TAG Heuer) production sites and the La Samaritaine and Bon Marché stores. The coverage rate vis-à-vis the 2004 reporting perimeter is defined for each environmental indicator.

## WATER CONSUMPTION FOR VEUVE CLICQUOT SITES FROM 1998 A 2004



## CHANGES IN WATER CONSUMPTION BY ACTIVITY INDEX FOR VEUVE CLICQUOT SITES



Water consumption at all the Veuve Clicquot sites has decreased by more than 50% in 6 years, thanks to the combination of the following actions:

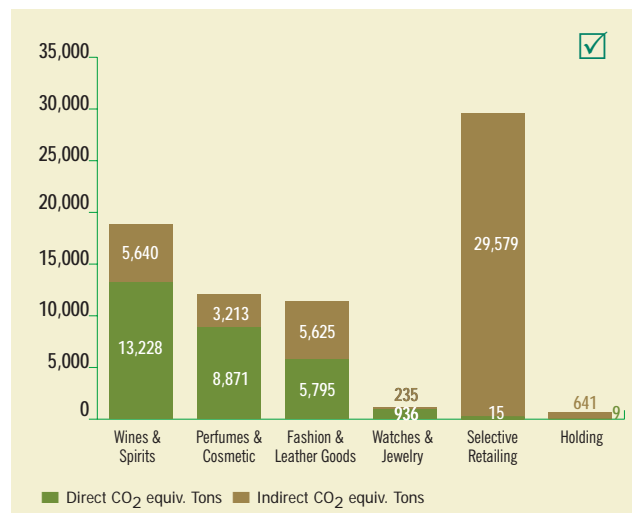
- Closed-circuit temperature regulation system (5-year investment).
- Progressive installation of pressure washers and cleaning with water recycling.
- Progressive installation of "stop jets".
- Rinsing system for vats with timing system.
- Installation of economical flushing apparatus, shower timers (800 people are counted during harvests).
- Repeated awareness campaigns.
- Financial incentives for employees for water savings.

During this period, the level of activity increased. Thus, the reduction in gross consumption corresponds to an improvement in performance levels, particularly since 2003 when the awareness programs began. Even if they are always accompanied by equipment improvements, the savings realized at present are due essentially to vigilance and to good personal practices.

## AIR EMISSIONS AND TRANSPORT

### GREENHOUSE GAS EMISSIONS AND TRANSPORT

The only significant air emissions relevant for the Group's environmental activities are greenhouse gas emissions. Estimated in tons of CO<sub>2</sub> (carbon dioxide) equivalent, they correspond to the emissions resulting from the energy consumption of the sites. They include direct emissions (on-site combustion) and indirect emissions (coming from the production of electricity used by the sites).



The increase recorded over 2003 is due to the changes in the reporting perimeter (14 stores and DFS warehouses, corresponding to 75% of the CO<sub>2</sub> emissions recorded in this sector). The DFS sites account for a larger share of total greenhouse gas emissions than energy consumption calculated in MWh due to their geographic location: with equal power consumption, CO<sub>2</sub> emissions are proportionally higher in Australia, China and New Zealand than in France, where all the other sites of the sector included in the 2004 reporting perimeter are concentrated. On a constant basis, the CO<sub>2</sub> emissions from the Selective Retailing business group decreased by 19% between 2003 and 2004.

Transport, another activity that generates greenhouse gas emissions, although not directly managed by the companies of the Group, is also the target of specific measures.

Hennessy maintained its choice to favor product transport by boat and by rail, a mode of transport that emits 85 times fewer greenhouse gas emissions than airplanes: 90.1% in ton-kilometers for Hennessy products were shipped by boat, 7% by road, 2.4% by rail and 0.3% by plane.

Following Hennessy's example, Parfums Christian Dior, Veuve Clicquot, and Louis Vuitton prepared a carbon budget, a method of accounting for all CO<sub>2</sub> emissions and other greenhouse gas emissions resulting directly or indirectly from an activity. This carbon budget showed that the primary source of greenhouse gas emissions was air transport. An action plan was developed in order to develop maritime transport: this mode of transport increased from 20% in 2003 to 40% in 2004, and the objective in 2005 is 50%.

In order to reduce the volumes transported, innovative solutions were sought to reduce empty spaces and over-packaging. A good practices procedure was disseminated to all the shops and awareness sessions were held, which generated savings of around 5% of the volume transported. Logistics circuits were reviewed, particularly for packaging and documentation, in order to make direct and shipping deliveries from the supplier to the regional warehouse (without going through an intermediate central warehouse). Piggybacking was reinforced between the Barbera shop in Spain and the logistics center in Cergy.

An evaluation of the different ecological solutions was performed for Louis Vuitton trucks. The investment in euro V standard trucks (anti-pollution standard applicable beginning in 2009), to replace euro 2 standard trucks, was approved (delivery scheduled for July 2005). This will make it possible to reduce harmful emissions by one-third and particulate emissions by one-seventh.

Sephora has systematized its shipments to the USA by ship. In 2004, an organization was set up to reach a total of 90% of finished products shipped by this transport method at the end of 2005, compared with 10% in 2003.

An indicator for emissions produced by personnel travel was set up in 2004: it now covers greenhouse gas emissions resulting from fuel consumption by cars purchased or leased by the companies of the Group in France for their employees (36,000 people, or 36 % of the Group's total workforce). Over the year, 2.5 million liters of fuel were consumed by these vehicles, generating 6,689 tons of CO<sub>2</sub> equivalent.

### OTHER AIR EMISSIONS

In 2004, particular emphasis was placed on preventing the risk of legionella.<sup>3</sup> Guerlain, Moët & Chandon and Parfums Christian Dior eliminated self-cooling towers and replaced them with a closed circuit that both eliminates the risk of legionella and greatly cuts water consumption.

For improved performance, economic savings and better control of its combustion gas air emissions, Hennessy conducted a study of its distillation boilers.

This is a voluntary step that is in line with continuous performance improvement. In 2004, the first phase of the study focused on quantifying combustion gas discharge emissions: CO, CO<sub>2</sub> and NOx generated at the different pressures used during the distillation cycle.

In 2004, the Louis Vuitton shops continued their efforts, reaching 100% use of water-based glue in spray robots instead of solvent-based glue.

Parfums Christian Dior developed a solvents management plan and began a study on retreating spraying solvents.

### WATER EMISSIONS AND POLLUTION PREVENTION

#### WATER EMISSIONS

Given the weak impact of the activities of the Group companies, the only relevant and significant emissions that might be identified are discharges into water of substances that promote eutrophication<sup>4</sup>. These substances are measured by Chemical Oxygen Demand (COD), calculated following treatment of the

effluents in site stations or in collecting stations. The following operations are considered treatments: collective purification, autonomous purification (aeration basin) and spreading.

This parameter is actively monitored at all the Wines and Spirits and Perfumes and Cosmetics sites. All the companies periodically measure this parameter, sometimes even daily during large, concentrated discharge periods (Wines and Spirits harvests).

Activity	COD after treatment (ton/year)	<input checked="" type="checkbox"/>
Wines & Spirits	74.0	
Perfums & Cosmetics	19.5	
<b>Total</b>	<b>93.5</b>	

For the past five years at Moët & Chandon, to obtain total control of discharges from the Epernay fermenting cellar and pressing center, discharges have been measured and recorded, and biochemical analyses have been performed. Monitoring is done on a weekly basis. During harvest periods, this monitoring becomes daily. All effluents from the activity of the main pressing center in Oiry are collected in a leak-proof storage pond before being reclaimed for agricultural purposes, and are strictly monitored using complete soil analyses.

In 2004, Domaine Chandon Australia continued the installation of a complete effluent treatment system. The treated water is sent to the storage pond where it is used for vineyard irrigation. At the end of 2004, 80% of the system was operational.

In order to limit the acidity of its effluents prior to discharge into the municipal treatment station, Veuve Clicquot has installed a pH neutralization system at its main production site.

In 2004, Guerlain continued to deploy its environmental protection policy at its industrial sites by making capital expenditures to improve waste water treatment in particular. An effluent puri-



(3) Legionella is a respiratory infection caused by bacteria. The main sources of legionella are hot black water systems and wet process cooling systems (self-cooling towers) associated in particular with industrial facilities and air conditioning systems.

(4) A phenomenon characterized by excessive algal blooms and aquatic plant life due to an excess of nutritional elements in the water (phosphorous in particular). Eutrophication leads to a reduction in water oxygenation, which has harmful consequences for the environment.

fication station was built and has been operational since the beginning of January 2004. It is composed of a homogenization and biological treatment tank followed by a methanization device, allowing a COD reduction rate of greater than 90%.

## RISK PREVENTION

At Parfums Christian Dior, the alcohol storage tanks that supply the cellar date from the creation of the site. The alcohol decanting area was not equipped with a retention system capable of containing the liquid in case of an accidental spill. An alcohol decantation area equipped with retention facilities has been created.

A retention basin was created for the brandy storage warehouses at Hennessy's La Touche site in Jarnac, following those at the Bagnolet and Haut Bagnolet sites. These basins are intended to contain accidental leaks or effluents and fire fighting water. They are all based on the same operating principle of two successive basins: the first basin, called the "damper," has a capacity of 125 m<sup>3</sup> and is always completely filled. The second has a capacity of 1,500 m<sup>3</sup> and is lined with a geomembrane.

To further protect its sites from lightning strikes, Hennessy audited the existing protection systems at the end of 2003. Given the diversity of the facilities and the risks incurred because of the nature of the products stored, the audit evaluated the current level of protection and defined the resources for an upgrade, taking into account the nature and the structures of the buildings. The capital expenditures necessary were covered by a two-year program, 2004 and 2005, and involve all the Hennessy sites and subsidiaries. The total cost of the upgrade will be close to 190,000 euros.

The renovation of Moët & Chandon's refrigeration systems (1.5 million euros) to ensure refrigeration of the fermentation tanks to meet the cold requirements of the process and the ambient air-conditioning of the premises resulted in numerous environmental advances. The room now includes gas leak prevention via a very sensitive detection system connected to an alarm and liquid leak



Moët & Chandon's refrigeration systems.

detection thanks to its retention facilities. Particular attention was given to acoustics (vibration absorption bases) and to landscape design (condensers positioned flush with the building). The control room was also acoustically insulated to improve operator comfort.

## WASTE RECOVERY

In 2004, a total of 45,019 tons of waste were produced by the companies of the Group, an absolute value of 6% more than in 2003. The breakdown of tonnages by sector is as follows:

Activity	Hazardous waste* (tons)	Waste produced in 2004 (tons)	Change in waste produced between 2003 and 2004
Wines & Spirits	150	26,909	48%
Perfumes & Cosmetics	683	7,970	- 8%
Fashion & Leather Goods	33	4,911	25%
Watches & Jewelry	12	176	9%
Selective Retailing	22	4,906	9%
Holding	1	204	100%
<b>Total (tons)</b>	<b>902</b>	<b>45,075</b>	<b>32%</b>

(\*) waste requiring separate sorting and treatment from other "non-hazardous" waste (cardboard, plastic, wood, paper, etc.)

In accordance with the recommendations of the opinion from the Auditors in April 2004, which recommended better management of certain categories of waste, the Group's wine companies have improved their reporting on the collection of quantities of plant waste in the Wines and Spirits sector (ex.: pressing waste integrated at Bodegas Chandon Argentina) and Fashion and Leather goods (maintenance waste from landscaped areas). Approximately 11,000 tons of these types of waste, completely recycled, have thus been incorporated in the reporting this year and are the source of the overall increase noted in these two sectors.

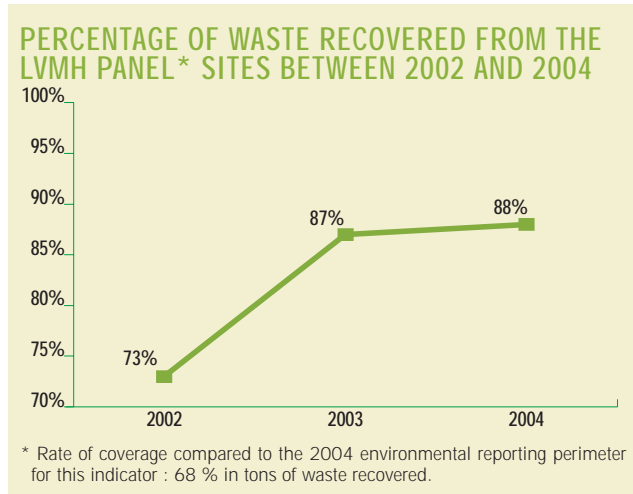
The efforts of the Group companies in sorting and waste recovery were pursued in all of the companies: on average, 85% of the waste was recovered, compared to 82% in 2003.

Activity	% recovered waste <input checked="" type="checkbox"/>			% total recovered
	reused	recycled	Incinerated to create energy	
Wines & Spirits		93%		93%
Perfumes & Cosmetics	4%	43%	31%	78%
Fashion & Leather Goods	4%	28%	24%	56%
Watches & Jewelry	0%	23%	51%	74%
Selective Retailing	2%	44%	39%	85%
Holding		100%		100%
<b>Total (tons)</b>	<b>2%</b>	<b>70%</b>	<b>13%</b>	<b>85%</b>



## Sustainable development

The change in the rates of waste reclaimed over three years for a constant reporting perimeter show a regular increase in this rate, which has risen from 73% to 88% for the sites of the "LVMH panel" <sup>5</sup>:



Guerlain conducted composting recovery tests for cosmetics waste in December 2004. The objective of this process is to combine bulk cosmetic wastes at the beginning of compost maturation. During maturation, the cosmetic wastes will deteriorate and will end up merging with compost suitable for spreading.

At Parfums Givenchy, the waste flows have been revamped to allow the extension of selective sorting to new materials. Thus, the bulk, perfume and the cosmetics manufacturing shops and the laboratories increased the types of waste that can be sorted from 2 to 6: cardboard, paper, recyclable plastic, clean glass, soiled waste and other waste.

At Domaine Chandon Australia, a project to study the post-grinding spreading of 100% of green waste (vine maintenance, landscape) was planned. At the end of 2004, the project was 40% complete.

At Grande Epicerie de Paris, a "waste treatment" study was finalized. The objective is the distribution of biodegradable plastic bags and selective sorting that will make it possible to recycle more than 1 ton of cardboard a day in 2005. Wood and plastic wastes will also be recycled.

Hennessy set up a sorting platform at its "la Vignerie" packaging site where the largest quantities of waste are produced. The waste treatment center created allows the selective sorting of 8 different types of waste: glass, cardboard, plastic, wood, caps and corks, glue residues, soiled plastic packaging, and the collection of mixed common waste.

### Reduction of source waste: Big Bags

Procurement of purchased raw materials generates large quantities of cardboard and plastic packaging waste. Thus, Hennessy's cork purchasing generates 10 tons of packaging waste a year. To reduce this outside source of waste, the company substituted unit packages of 3,000 corks with large capacity polypropylene packages of 60,000 corks, "big bags." In addition to reducing waste, the advantages are a gain in the supply

labor for the cork lines, and the re-use of the "big bags" for other purposes. The system was set up on one line.

At Louis Vuitton, half of the paper used at the corporate headquarters and the warehouse is recycled paper; a campaign to reduce paper consumption was also implemented, generating a 20% reduction in consumption at Barbera. Recycling solutions for finished or semi-finished products have been sought: a solution involving the re-use of silk used to make ties to stuff pillows was implemented. Pallet recycling was introduced at the plants (Issoudun, Ducey, Asnières) and selective sorting (paper, common waste, batteries, etc.) was developed, particularly at the corporate headquarters where a vast "green actions" awareness campaign led to the use of double trash cans.

## SOIL USE AND INTEGRATED VINE GROWING

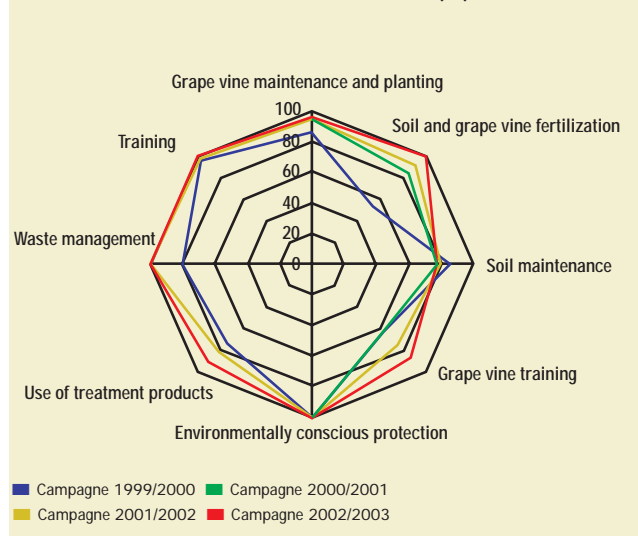
### INCREASING INTEREST IN SOUND VITICULTURE TECHNIQUES

Integrated viticulture is based on a set of techniques that satisfy qualitative and ecological requirements while preserving the economic future of the operation. This voluntary approach, used for a number of years by the LVMH Wines and Spirits companies, was pursued and developed this year.

As has been done each year since 2001, the Veuve Clicquot vineyard performed its self-assessment to evaluate the conformity of its wine-making practices with the requirements of the Champagne region's Integrated Viticulture standards. The results of the self-assessment performed in 2004, concerning the 2002-2003 wine campaign, show the great progress made since 2000: 97% of the regulatory and mandatory requirements stipulated in these standards have now been met.

This self-assessment also makes it possible each year to define an annual progress plan. The objective for 2005 is to significantly reduce the use of herbicides and to contribute to preser-

### INTEGRATED GRAPE GROWING SELF-DIAGNOSTICS FROM 2000 TO 2003 OF COMPLIANCE (%)



ving water quality. The testing and adaptation phase for soil maintenance equipment carried out in 2004 will allow the development of this technique on a larger scale at the Veuve Clicquot vineyard.

The renovation of a wine making center devoted to equipment maintenance and to the preparation of protective vine treatments made it possible to create a wine equipment washing area. These projects were designed in the strictest compliance with regulation and with a high level of environmental requirements in order to collect and treat all the effluents generated at a wine-making site.

In the context of this general integrated approach, Moët & Chandon implemented the follow projects:

- Progressive use with the principal grape deliverers of a vineyard treatment traceability clause.
- Limitation of aerial helicopter treatments and use of equipment equipped with drift-control nozzles making it easier to reach the targets.
- Development of a headlands weed plan to capture undesirable elements present in the run-off.
- Development of alternative solutions to using certain insecticides.
- Research work in coordination with the manufacturers in order to develop innovative equipment allowing precision viticulture with the objective of reducing the quantities of plant protection products to be spread in the vineyard.

This approach is also used by the Moët Hennessy Wine Estates companies. For example, the Australian and New Zealand companies apply the following actions:

- Improved monitoring of the climate and parasite pressure, development of the use of natural parasites in order to reduce the need to spray pesticides.
- Permanent sodding between the rows of vines in order to improve the structure of the soil and reduce the risks of erosion.

To avoid the discomfort of employees and visitors due to mosquito breeding (simuleo) at its sites, Chandon in Brazil inoculated the neighboring streams using the bacteria that are natural parasites of the mosquito larvae. This measure made it possible to ensure mosquito control without using any insecticides.

Domaine Chandon California participated in the water management plan for the vineyard slopes and undertook the following actions:

- Planted trees along the water streams to reduce erosion (over 100,000 trees).
- Created copses to control runoff and help with water treatment.
- Developed corridors allowing animals to roam in order to allow the natural regeneration of the wild fauna.



Example of weeded headlands.

## DEVELOPMENT OF HIGH ENVIRONMENTAL QUALITY CONSTRUCTION

As part of the construction of its new distribution center (opening in September 2006), Louis Vuitton committed itself to an "HEQ" (High Environmental Quality) approach. This is a first in the logistics world, and the warehouse is the pilot site for the Scientific and Technical Center for Construction (French certifying agency that audits the project regularly). Louis Vuitton is investing 10% of the project budget in this approach. Assisted by a specialized consultant and auditor, the project team prioritized its targets based on performance criteria and is in the process of developing the program.

The objective is to successively achieve four targets by implementing the following actions:

- Relation of the building to its surroundings: planted lanes, limitation of surface sealing.
- Energy management: limitation of energy consumption, renewable energy.
- Hygrothermal comfort: reinforced thermal insulation of the building.
- Visual comfort: natural lighting.

Four other targets are to be achieved "successfully" through the actions below:

- Selection of products and construction processes: wood framing;
- Water management: reduction of water requirements, infiltration basin;
- Management of waste produced by the activity: facilitate selective sorting;
- Sustainability of environmental performance levels.

## GROUP ENVIRONMENTAL EXPENDITURES

The environmental expense items were accounted for in accordance with the recommendations of the notice from the French National Accounting Board (CNC). Operating expenses and capital expenditures were recorded for each of the following items:

- Ambient air and climate protection.
- Wastewater management.
- Waste management.
- Soil protection and soil, groundwater and surface water purification.
- Fight against noise and vibrations.
- Protection of biodiversity and of the landscape.
- Radiation protection.
- Research and development.
- Other environmental protection activities.

In 2004, the total amount spent for environmental protection breaks down as follows:

- Operating expenses: 6.1 million euros (5.3 in 2003).
- Capital expenditures: 2.7 million euros. (2.3 in 2003).

No amount set aside as a provision for risks related to the environment in 2004.



Example of hydraulic installation.

# Objectives

These tables indicates the objectives assigned to a given Group's company, and its business group appears in the second column.

## ACHIEVEMENTS VERSUS 2004 OBJECTIVES

### MOVE TOWARD A HIGH LEVEL OF ENVIRONMENTAL PERFORMANCE

Strategy	Activity	Objective assigned to the company in 2004	Achieved / not achieved
Comply strictly with environmental regulations	Holding	Routinely check environmental compliance during internal financial site audits	Achieved
	Wines & Spirits	Reduce total water consumption by 5% by 2005	Exceeded (- 22%)
	Perfumes & Cosmetics Fashion & Leather Goods Wines & Spirits	Secure 4 prefecture authorization decisions following the expansion of the activity	Achieved
Reduce the environmental impacts of products and at the industrial, administrative and central shipping sites: water, energy, wastes, transport, etc.	Fashion & Leather Goods	Equip 100% of the spray stations with water-based glues to replace solvent-based glues	Achieved
	Wines & Spirits	Increase the percentage of waste reclaimed by 1% or 27 tons at the production sites	Achieved
	Wines & Spirits	Reduce the liter of water per unit worked in racking, disgorging and labeling from 0.9 to 0.85, a savings of more than 5,000 m <sup>3</sup>	Exceeded: 0.72 L instead of 0.85 L
	Fashion & Leather Goods	Re-sell 100% of "selected" leather scrap for re-use	Achieved
	Fashion & Leather Goods	Transport 50% of leather goods volumes by boat	Achieved at the end of 2004 (on a average basis in 2004: 40% of volume by boat)

### FOSTER A COLLECTIVE PURPOSE

Stratégie	Activity	Objective assigned to the company in 2004	Achieved / not achieved
Involve all employees	Holding	Conduct environmental awareness sessions in at least 75% of LVMH manager orientation seminars	Achieved
	Holding + 3 companies	Distribute the "green actions" guide in 3 other Group companies and the Holding Company	Achieved
	Wines & Spirits	Integrate environmental objectives into the system to assess managerial performance	Achieved
Circulate the results throughout the organization	Holding	Draft a document that summarizes the environmental accomplishments of the Group's companies that is available on the Environment Intranet for all partners	Achieved

## CONTROL ENVIRONMENTAL HAZARDS

Stratégie	Activity	Objective assigned to the company in 2004	Achieved / not achieved
Establish an effective management system that is audited at least every 3 years	Holding + companies	Set up a team of 12 LVMH in-house environmental auditors	Exceeded: 15 auditors trained
	Holding + companies	Conduct 4 in-house environmental audits with the LVMH team	Exceeded: 5 audits performed
	Fashion & Leather Goods	Develop and deploy an environmental action plan following the 2003 audit	Achieved
Detect all environmental risks, prevent and reduce them	Wines & Spirits	Set up a program to prevent accidental pollution at vineyards: phytosanitary products cabinets, installation of sand tanks, oil retention basins	Achieved
	Holding	Conduct 175 days of fire engineering inspections that include an environmental component	Achieved
	Wines & Spirits	Provide retention resources for the Crayères fermenting cellar and pre-treat waste water prior to discharge	Achieved

## GUARANTEE THE FUTURE OF OUR PRODUCTS

Stratégie	Activity	Objective assigned to the company in 2004	Achieved / not achieved
Integrate the environment in the design of Group products, both in-house and with suppliers and subcontractors	Holding + Fashion & Leather Goods, Selective Retailing, Wines & Spirits	Perform an environmental assessment of 3 Group products to define the relevant performance indicators	Achieved
	Holding	Disseminate a tool to generate awareness in design and marketing divisions to take the environment into account in product design	Achieved (Trendbook)

## BE COMMITTED BEYOND THE COMPANY

Stratégie	Activity	Objective assigned to the company in 2004	Achieved / not achieved
Be involved with stakeholders	Wines & Spirits	Obtain a commitment from outside companies to greater environmental awareness by drafting an environmental code and presenting it to the companies	Achieved
	Holding	Respond to at least 90% of the environmental questions asked by rating agencies, associations, customers, etc.	Achieved
	Wines & Spirits	Inspect all suppliers' distilleries through visits and questionnaires, and plan preventive and corrective actions if necessary.	Achieved
	Holding	Pursue joint actions with the 12 partner organizations and associations.	Achieved
	Holding + companies	Participate in a sustainable development week from June 16 – 27, 2004 at the Holding Company and in at least three companies.	Achieved



## OBJECTIVES FOR 2005 AND BEYOND (NON-EXHAUSTIVE)

### MOVE TOWARD A HIGH LEVEL OF ENVIRONMENTAL PERFORMANCE

Strategy	Activity	Objective assigned to the company in 2005	Deadline
Comply strictly with environmental regulations	Holding	Routinely verify environmental compliance during in-house financial audits on the sites	continuu
	Holding	Continue to monitor French and international environmental regulations (French / English)	continuu
	Vins & Spiritueux Fashion & Leather Goods	Secure 2 prefecture authorization decisions following the expansion of the activity	2005
Reduce the environmental impacts of products and at the industrial, administrative and central shipping sites: water, energy, wastes, transports, etc.	Fashion & Leather Goods	Build a new HEQ (High Environmental Quality) warehouse	2006
	Fashion & Leather Goods	Reduce energy consumption for lighting in new stores by 30%	2006
	Wines & Spirits	Use 85 W of electricity per bottle equivalent produced	2005
	Wines & Spirits	Reach 0.65 L of water consumed per bottle equivalent produced	2005
	Selective Retailing	Project to extend selective sorting to new waste categories	2005
	Perfumes & Cosmetics	Replace one gas boiler with a cogeneration system	2006
	Fashion & Leather Goods	Integrate the mandatory compliance with Euro III standard in 100% of new contracts with carriers	2005
	Wines & Spirits	Routinely avoid air transport when each new product is launched	2005
	Fashion & Leather Goods	Transport on a average basis 50% of leather goods volumes by boat	2005
	Wines & Spirits	Sort 93% of the waste generated in production	2005
Wines & Spirits	Reduce the quantity of source wastes by 10% as part of the ADEME program "-10% in two years"	2007	

### FOSTER A COLLECTIVE PURPOSE

Strategy	Activity	Objective assigned to the company in 2005	Deadline
Involve all employees	Holding	Create an environmental newsletter for management	2005
	Holding + companies	Raise employee awareness in at least three Group's companies during sustainable development week from May 30 to June 5, 2005	2005
	Wines & Spirits	Integrate environmental concerns in the training of 100% of seasonal harvest workers (wine presses)	2005
Circulate the results at all levels of the organization	Holding	Make the 2004 environmental results available to partners on the LVMH environmental intranet	2005

## MAÎTRISER LES RISQUES ENVIRONNEMENTAUX

Strategy	Activity	Objective assigned to the company in 2005	Deadline
Have an effective management system that is audited at least every 3 years	Wines & Spirits	Obtain ISO 14001 certification for a subsidiary (vineyard + winemaking)	2006
	Watches & Jewelry	Have a written environmental policy (Jewelry)	2005
	Wines & Spirits	Draft a second version of the environmental policy (Wines)	2005
Detect all environmental risks, prevent and reduce them	All	Conduct 9 in-house environmental audits with the "LVMH environmental audit" team	2005
	Wines & Spirits	Equip 3 wine making sites with retention basins	2005


## GUARANTEE THE FUTURE OF OUR PRODUCTS

Strategy	Activity	Objective assigned to the company in 2005	Deadline
Integrate environmental concerns in the design of Group products both in-house and when working with suppliers and subcontractors	Holding + companies	Distribute a new version of the LVMH Environmental Trendbook to Marketing managers and designers	2005
	Holding + companies	Design a materials, processes and ecological products watch and make it available on the intranet	2005
	Holding	Streamline the LVMH product ecodesign tools in a computerized version	2005
	Wines & Spirits	Integrate environmental concerns throughout the entire design and production process for a new product (applicable to 4 Companies)	2005

## BE COMMITTED BEYOND THE COMPANY

Strategy	Activity	Objective assigned to the company in 2005	Deadline
Be involved with stakeholders	Holding	Continue involvement with the OREE association: chair the association, participate in work groups to produce a guide for "sustainable" transport of goods intended for small businesses and manufacturers	Ongoing
	Holding	Continue joint actions with the 11 other partner organizations and associations	Ongoing
	Wines & Spirits Perfumes & Cosmetics	Allow the public to visit the site during Heritage Days	Ongoing

# Auditors' report on the review of certain environmental indicators

At the request of LVMH, we performed a review in the aim of providing moderate assurance on 11 environmental indicators which are identified by the symbol  on pages 2, 4, 6, 8, 9, 10, 11 and 12 of this document, for fiscal year 2004.

These data were prepared under the responsibility of the LVMH Management, in accordance with the environmental data reporting criteria, which can be consulted at the Environmental Department. It is our responsibility, based on the work performed, to express a conclusion on the selected indicators.

## NATURE AND SCOPE OF THE WORK

We conducted a limited review to provide moderate assurance that the selected data do not contain significant anomalies. To provide reasonable assurance would have required a more extensive work.

- We assessed the environmental data reporting criteria regarding their relevance, reliability, neutrality, understandability and completeness.
- We conducted meetings in the Environmental Department at the corporate headquarters and in eight selected entities<sup>1</sup> with the persons responsible for the application of these criterias.
- We performed validation tests in the selected entities representing an average of 31% to the total environmental impacts of the Group.
- We examined the calculations, on a sampling basis, and verified the reporting of data to the various consolidation levels.

## COMMENTS ON THE REPORTING PROCEDURES

The reporting criteria defined by LVMH for the environmental data selected call for the following comments on our part:

- The application of the criteria, particularly the understanding of the indicator definitions, was improved by the clarifications made in the definitions, and could be enhanced particularly for indicators related to waste and to the number of hours of training and raising awareness to environmental issues.

- The reliability of the data collection and aggregation process could be reinforced by the implementation of added internal controls at all levels.

## CONCLUSION

During our review, the following anomalies were identified and duly corrected:

- The "volume of hazardous waste generated" was over-estimated on four sites.
- The "COD emitted after treatment" for which we found significant discrepancies due to calculation mistakes in two sites and the omission of sources in one site.

Based on our review we did not identify any material anomalies likely to call into question the fact that data examined were prepared, in all material aspects, in accordance to the reporting criteria mentioned.

Neuilly-sur-Seine, March 11, 2005

Ernst & Young et Associés  
Environment and Sustainability Services  
Eric Duvaud  
Partner



*This is a free translation into English of the original report issued in the French language and is provided solely for the convenience of English speaking readers.*

(1) Cortech, Givenchy, Guerlain, Hennessy, Krug, Louis Vuitton (2 sites in France), Sephora, Veuve Clicquot Ponsardin..