

LVMH 2014
—
ENVIRONMENTAL REPORT



LVMH
—
MOËT HENNESSY • LOUIS VUITTON

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A LONG-TERM VISION

I am delighted to present the LVMH Environmental Report for 2014. This report reflects the importance accorded by our Group to protecting the natural environment for over two decades. This commitment does not just reflect our values and our responsibility as a corporate citizen. It is also closely linked to our business activities. LVMH includes a series of flagship brands that cultivate their magic and ensure the long-term future of exceptional skills, in order to deliver a touch of beauty and a chance to dream, by exalting the water, earth, and the animal and plant species. All our Maisons are committed to preserving this intangible capital, which is key to their success. All have now included environmental performance in their growth strategy. In the same way as quality, innovation, and creativity, the environment has become a driver for progress for LVMH, as further illustrated by this report.

Bernard Arnault

Chairman and Chief Executive Officer

INTERVIEW WITH ANTONIO BELLONI, DEPUTY CHIEF EXECUTIVE OFFICER, AND SYLVIE B NARD, ENVIRONMENT DIRECTOR



Antonio Belloni
Deputy Chief Executive Officer



Sylvie B nard
Environment Director

If you had to select only one highlight from LVMH's environmental policy in 2014, what would it be?

Antonio Belloni: The year was packed with initiatives, but I would specifically select the incorporation of the LIFE (LVMH Initiatives For the Environment) program into the Maisons' strategy plans. Following the initiatives implemented by each Maison to reduce its environmental footprint over the past twenty years, we needed a project that covered all our business activities within a long-term framework. Our employees and our customers are increasingly focused on the environmental aspect of their behavior. LIFE drives our approach in this area, in order to meet their expectations. It consolidates our lead, by enabling us to identify goals to share, and to determine a common language in order to improve cooperation, and exchange best practices more easily. As our Group is highly diversified, assessing all our relationships with the natural environment is a complex task. Thanks to LIFE, the issues are clear, the priorities are defined, and the channeling and coordination of our efforts is improved. The efforts of each Maison are included in multi-brand working groups, which have more resources

to address cross-divisional issues, such as energy consumption in stores – a crucial issue for LVMH. The incorporation of LIFE into the Maisons' strategy plans has created an opportunity for review, and a genuine spirit of emulation where this important issue is concerned. In the medium-term, we will introduce a program for exchanging experiences, which will enable us to fine-tune our objectives, and to take advantage of the collective strength of our brands. All of us together can really make a difference.

What role did the Environmental Department play with the Maisons?

Sylvie Bénard: We provided them with technical support, specifically by offering them cutting-edge expertise in areas such as eco-design, limiting greenhouse gas emissions, preserving biodiversity and raw materials, and so on. Thanks to our active participation in the initiatives and discussions launched by the Government authorities, professionals in our various areas of activity, and the voluntary organization, university and science worlds, we also played a role in monitoring environmental issues, and helped the Group make the necessary adjustments. For instance, I am thinking of the work carried out with the Responsible Jewellery Council in order to promote ethics, human rights, and responsible environmental practices in the precious metals and precious stones sectors, as well as our role within the Foundation for Biodiversity Research, which actually expanded in 2014, when LVMH joined the Board of Directors.

What characterizes the governance of LVMH's environmental policy?

Sylvie Bénard: The policy has been adjusted for the specific features of our Group, in particular its international reach and the wide diversity of its businesses. Our priority is to unite without standardizing, and to increase our involvement without imposing a single model for all. The Environmental Department is driving the trend, and is supporting the Maisons' initiatives by working closely with a network of Environmental Officers, and prioritizing a cross-divisional approach, in order to involve all the company's segments in the environmental policy.

What stage has the Group currently reached in terms of the environment?

Antonio Belloni: Since the beginning of the 1990s, LVMH has not disappointed where incorporating environmental concerns into its development is concerned. The Maisons have been able to innovate on the issues that are most relevant to them. They have, among other things, built workshops of a high environmental standard, opened low-energy boutiques, introduced ethno-botany processes, opted for sea or electric transport and significantly reduced their waste volumes, working together with their suppliers and partners. Following this period, which has been as diverse as it has been fascinating, the roll-out of LIFE marks the beginning of a new stage. Against a backdrop where protecting the environment is becoming increasingly crucial, and where the demands of civil society are increasingly rigorous, this program will enable us to move up a gear. The aim for us is no longer simply to make the environment a focal point in the creativity and quality of our products, but to aim for excellence, in this area as in all others.



THE FRAMEWORK FOR ACTION

FOR LVMH, PROTECTING THE ENVIRONMENT IS BOTH OUR MOTIVATION AND OUR MOMENTUM. THIS COMMITMENT HAS BEEN CONFIRMED FOR OVER TWENTY YEARS, CLOSELY LINKED TO THE GROUP'S VALUES AND BUSINESSES AND KEY TO ITS SUCCESS.

MOMENTUM WAS GENERATED IN 2013 WITH THE LAUNCH OF LIFE (LVMH INITIATIVES FOR THE ENVIRONMENT), AN AMBITIOUS GLOBAL PROGRAM.



Château d'Yquem vineyard.



TAG Heuer's photovoltaic installation at La Chaux-de-Fonds.

MAJOR CHALLENGES

CHALLENGES FOR THE COMMUNITY

LVMH's activities, like any human activities, have an impact on the environment, some of those effects amount to a major challenge for contemporary society, and must be reduced to a minimum. To pass on these universal assets – air, water, earth, and animal and plant species – to future generations, we need to combat climate change by limiting greenhouse gas emissions, optimizing the use of natural resources, producing as little waste and pollution of every kind as possible, and protecting biodiversity. Protection, care, and caution are all principles to adhere to in order for economic development and the well-being of mankind to remain reconcilable.

CHALLENGES FOR THE GROUP

For LVMH, protecting the natural environment goes beyond the commitment as a corporate citizen made by a company that is conscious of its duties and responsibilities to the community. The Group's relationship with the environment goes back a long way, and is not separate from either its values of excellence, sustainability and transmission, or from its businesses. To manufacture their products, the Maisons need natural raw materials that are often rare and exceptional: for instance, the Louis Vuitton leatherworkers have been turning wood, cotton, and leather into products of extremely high quality, which are intended to be handed down from generation to generation, since 1854. Preserving this capital is essential for the company's success. This is why, over twenty years ago, LVMH made environmental performance one of the cornerstones of its initiatives, and a factor for progress and competitiveness, in the same way as creativity, innovation or quality of execution. The Group is working towards this goal with very high expectations, buoyed by the conviction that the luxury goods industry, synonymous with dreams and beauty, must aim to be exemplary.

STRONG COMMITMENTS

INTERNAL COMMITMENTS

The commitment that LVMH made to the environment in 1992 was reflected in the publication of the Environmental Charter as far back as 2001. In that Charter, the Group, representing its 121,000 employees, confirms its determination to seek a high level of environmental performance, encourage collective involvement, manage environmental risks, design products by incorporating innovation and environmental creativity, and to become involved beyond the company. This founding document was extended by two internal Codes of Conduct in subsequent years: one of the Codes was introduced for suppliers in March 2008, while the other was introduced for all employees in May 2009. Both Codes supplement and formalize the commitments included in the Environmental Charter, specifically by emphasizing that compliance with laws, regulations, and national and international decisions is an essential prerequisite for the credibility of the Group's approach.

THE BUSINESS GROUPS' MAIN CONCERNS

	Wines & Spirits	Fashion & Leather Goods
Saving energy resources and combating climate change	• Packaging production. • Distillation. • Transportation of product shipments.	• Store lighting and air-conditioning. • Transportation of product shipments.
Protecting and saving water resources	• Water consumption (irrigation of vines in Australia, New Zealand, Argentina and California). • Production of effluents containing organic matter during wine-making and distillation.	–
Protecting ecosystems and natural resources	• Especially plant resources (vines) required for production.	• Especially plant resources (textile fibers) required for production. • Exotic leather.
Waste recovery	• Wine-making and distillation processes.	–
Reduction in impact of production and transformation of raw materials, specifically through eco-design	• Packaging.	• Packaging. • Cotton and other textiles, leathers. • Tanning.

Perfumes & Cosmetics	Watches & Jewelry	Selective Retailing
• Packaging production. • Transportation of product shipments.	–	• Store lighting and air-conditioning. • Transportation of product shipments.
• Protection and saving of water resources.	–	–
• Especially plant resources required for production.	• Packaging. • Stones and precious metals. • Exotic leather.	–
–	• WEEE (waste from electrical and electronic equipment, such as batteries).	–
• Packaging. • Constituents of perfumes and cosmetics.	–	–

RECOGNIZED COMMITMENTS

LVMH has embraced the 2011-2020 French National Strategy for Biodiversity. This is the French version of the global 2011-2010 Strategic Plan for Biodiversity which was adopted at the Nagoya Convention on Biological Diversity in 2010. In 2012, the Group program entitled "Improving the footprint of LVMH's activities on biodiversity throughout the product cycle, with the goal of having a positive impact on biodiversity" earned LVMH the accolade of being selected by the French Government as a beneficiary of the "National Biodiversity Strategy" hallmark.

INTERNATIONAL COMMITMENTS

LVMH has made a certain number of international commitments alongside its internal commitments. Accordingly, in 2003, Bernard Arnault embraced the United Nations Global Compact, focused on promoting companies' responsibility as corporate citizens. In 2007, he provided full support for the initiative aimed at involving private companies in achieving the Millennium Development Goals launched by Gordon Brown, then Prime Minister of the United Kingdom. The Group also supports the Universal Declaration of Human Rights, the OECD Guiding Principles, the International Labor Organization's Fundamental Conventions, Caring for Climate (a program of voluntary initiatives that complement the United Nations Global Compact), the Kimberley Process, and CITES (Convention on International Trade of Endangered Species). These documents form the backdrop for all the environmental initiatives implemented by LVMH and its Maisons.

A STRUCTURAL APPROACH

A LONG-TERM POLICY

The solutions provided by LVMH in response to environmental challenges represent long-term trends that have a profound influence on the company's growth; they shape future issues in its markets and determine its brands' opportunities for growth. Through its commitment, which goes back over twenty years, the Group has gradually incorporated a culture, values, and practices relating to protecting the natural environment. It has involved all its stakeholders in its approach, including its employees, partners, and suppliers, as well as its customers, government authorities, NGOs and civil society representatives, amongst others. The protection of the environment is now fully incorporated into all of its activities, and contributes to their development.

SUBSTANTIAL FINANCIAL RESOURCES

The importance that LVMH has attached to the environment has budgetary consequences. The Group's expenditure directly related to protecting the natural environment amounted to €16.6 million overall in 2014, including operating costs of €10.2 million, and investments of €6.4 million. This consolidated environmental expenditure amount does not include certain other expenses that also contribute towards reinforcing LVMH's environmental commitment. This is the case, for instance, with the additional costs relating to the high environmental quality standard of buildings, the cost of training and providing technical support to the in-house teams, and the expenditure on environmental corporate sponsorship.

A PRIORITY: UNITING WITHOUT STANDARDIZING

Year after year, LVMH has expanded its initiatives without, however, imposing a standardized model. This has enabled it to take one of its main characteristic features into account: the wide variety of its businesses. In fact, the company unites five groups of business activities: Wines & Spirits, Fashion & Leather Goods, Perfumes & Cosmetics, Watches & Jewelry, and Selective Retailing. This is both an asset and a challenge. Some topics are genuinely cross-divisional, such as consumer health and safety, and reducing energy consumption. Beyond those topics, the Maisons have a variable impact on the natural environment depending on their sectors and their businesses. They must therefore share the same view of environmental issues, while focusing on specific problems that relate directly to their environmental footprint and to their operating challenges.

AN APPROPRIATE ORGANIZATIONAL STRUCTURE

A DECENTRALIZED AND UNITED ORGANIZATIONAL STRUCTURE

LVMH has organized itself in such a way as to reflect its environmental commitment through useful and tangible initiatives. Its history, its scale as a major international group and the marked individuality of its businesses have encouraged it to prioritize an organizational structure that is both decentralized and united. The primary aim of this organizational structure is to raise the awareness of, train, and involve all the employees, and to make appropriate tools enabling them to incorporate the environment in their decisions available to them. It is based on the Environmental Department, which was set up in 1992, and reports directly to a member of the Executive Committee, namely Antonio Belloni, the Group's Chief Executive Officer.

A DEPARTMENT DEDICATED TO THE ENVIRONMENT

LVMH's Environmental Department is responsible for disseminating the shared approach by ensuring the application of the LIFE program and of the Environmental Charter, coordinating cross-divisional initiatives, supporting the Maisons and their approaches, and preparing for the future by developing new initiatives aimed at improving the Group's environmental performance with the Maisons. The Department determines the main guidelines for every area relating to the protection of the natural environment. It also develops expertise and practical tools, organizes internal environmental audits, encourages the exchange of experiences and the dissemination of best practices, and carries out a regulatory and technical watch.

INVOLVEMENT OF ALL THE COMPANY'S SEGMENTS

To successfully fulfill its assignments, the Environmental Department acts in a fully cross-divisional manner, by bringing all the company's segments together. It collaborates with LVMH's other departments, for instance by working on sustainable procurement issues with the Purchasing Department, or working with the Financial Communications Department, in order to answer the questions asked by external stakeholders. It also relies on a network of around fifty officers at the Maisons which it brings together at the Environment Committee several times a year. These meetings provide an opportunity to address specific issues relating to the protection of the environment, to provide an update on topical issues, to exchange information and best practices, and to present new tools and initiatives. In addition to the environment committees, the Environmental Department also steers a variety of specialist in-house working groups, which deal with eco-design, the stores' energy consumption, or the European REACH regulations for example.

A SPECIFIC ORGANIZATIONAL STRUCTURE AT SEVERAL MAISONS

Some Maisons have adjusted their organizational structure in order to successfully implement their initiatives aimed at protecting the environment. Accordingly, Guerlain has set up a Sustainable Development Department and Steering Committee. This Committee, which includes around fifteen employees from all the Maison's management teams, determines targets to be achieved by each facility and Department every year, as well as an action plan to implement. Louis Vuitton has a similar department, which is responsible for managing its environmental strategy, primarily via setting up steering groups on specific issues, such as the recycling of materials or ISO 14001 environmental certification. The Environment Manager also attends the Ethics and Risk Management Committee, which brings together around ten key employees, including three members of the Management Committee. These central organizations are supplemented by around a hundred CSR officers or ambassadors, who convey the Head Office's approach at workshops and in the geographical regions. In several countries, like Italy and China for example, this network is combined with in-store supervisors, the "Green Advisors".

3 QUESTIONS FOR...

Louis Vuitton is the first company in the world to have been awarded ISO 14001 environmental certification for its entire Leather Goods and Accessories logistics chain: how did you establish this “green supply chain”?

We would not be in this position if the environment had not been a major concern for the LVMH Group for a long time. To provide the background to this project, we need to go back to another pioneering initiative in its day, i.e., the carbon report that we drew up in 2004. This report showed that our logistics were responsible for 47% of our greenhouse gas emissions, primarily because 100% of our finished products were transported by air. From that point on, we began thinking about incorporating the environment into our supply chain. The first tangible reflection of this review was the opening of our international EOLE warehouse in Cergy-Pontoise, which was the first in France to be built according to HQE standards. We incorporated a large number of innovations into that warehouse, by paying attention to the architecture so as to ensure that it complemented the landscape, installing a geothermal power system in order to save energy, installing ponds for treating waste water with plants, and working on natural light and green spaces in order to provide our employees with optimal working conditions, and so on. We continued the trend by having all our warehouses certified ISO 14001. Today, when we have a new logistics facility built – since there are not many in Hong Kong or Tokyo –, we demand compliance with the most ambitious environmental standards. Parallel to our work on the warehouses, we developed our sea transport. Amongst other things, we had to increase our flexibility, improve our sales forecasts, increase the frequency of deliveries and shorten delivery timeframes as much as possible. Today, we are one of the rare operators in our sector to transport over 30% of our finished products by ship. In view of the progress achieved, we decided to attempt to have our entire supply chain certified ISO 14001 in 2012, working together with the Louis Vuitton Environmental Department, and with the support of the Group Environmental Department.



Vincent Barale
Director of Louis Vuitton's
Transportation and Logistics
Department

How did you proceed in order to be awarded this certification from a practical standpoint?

The teams had to put in a year's work, working together with AFNOR, the certification body, in order to reach this goal. Before proceeding, we needed to understand the regulatory requirements for environmental protection everywhere Louis Vuitton operated, and to be able to measure our environmental impact. For instance, we conducted surveys in order to find out what kind of vehicles transported our products, and which routes they used! We then set targets aimed at improving our environmental performance with our service providers, and implemented action plans.

Nowadays, for instance, we prioritize electric, hybrid or Euro 6 compliant trucks, as well as passenger aircraft for the transportation of our products, as they have the best carbon footprint. We also optimize the products' packaging, in order to avoid having to transport empty space. For instance, we designed new shipment packaging for the “Distance Selling” business, which resulted in a decrease of around 40% in the volume of the packaging shipped.

What conclusions do you draw from this ten-year effort, and how are you going to follow it up?

The conclusions are very positive. The electricity consumption at the EOLE warehouse fell by 30% between 2011 and 2014. Thanks to the ISO 14001 certification of the logistics chain, we went from 30,000 metric tons of CO₂ emitted into the atmosphere in 2012 to 25,000 metric tons in 2013, and then to 20,000 metric tons in 2014. We also avoided 300 metric tons of waste by using reusable pallets instead of disposable ones in our handling operations. In addition to these environmental benefits, the approach was also a driver for improving the overall performance of our supply chain, as well as a great way of motivating and uniting our employees, and of encouraging them to work together, while also involving all the service providers, without whom none of this progress could have been achieved. We are now focusing on helping what is in place to thrive while continuing to make progress. We want to reach a target of 50% sea freight, and are going to try and gain the US LEED® certification for EOLE in 2015.

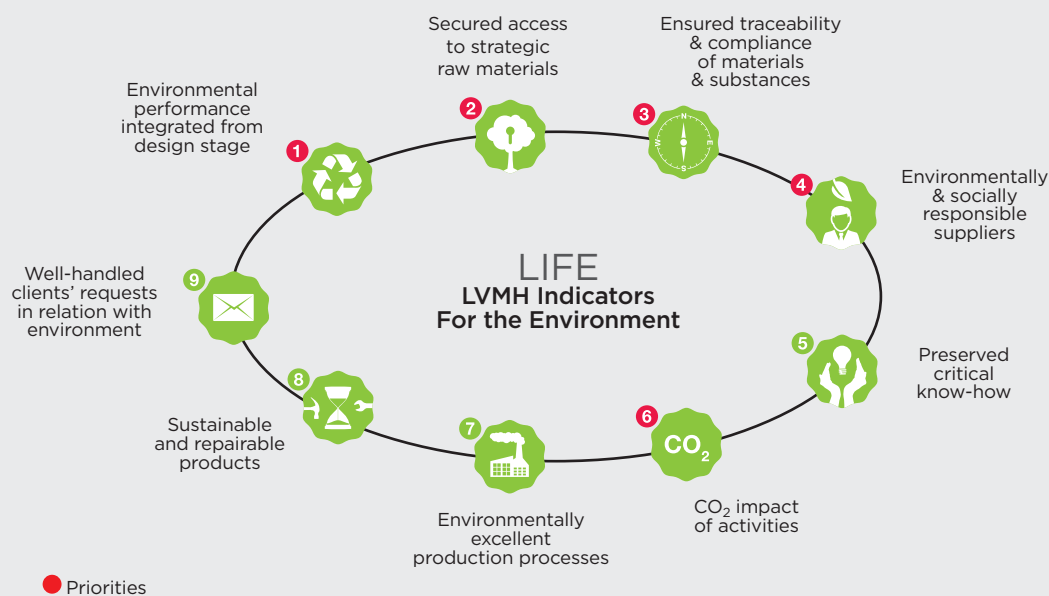
A NEW MOMENTUM: THE LIFE PROGRAM

A GLOBAL PROGRAM AIMED AT SUPPORTING THE GROUP'S APPROACH

In 2011, against a backdrop characterized by the increasing expectations of its employees, its customers and the community, LVMH decided to reinforce its approach to supporting the environment by launching a global program known as LIFE (which stands for LVMH Initiatives For the Environment). The Group sought to structure the initiatives implemented by its Maisons around a united approach and a collective commitment, as part of a long-term view. The LIFE program has been designed to include the environment in managerial processes to a greater extent, facilitate the development of new management tools, and capitalize on the developments and enhancements arising from the Maisons' innovative practices.

NINE STRATEGIC ISSUES IDENTIFIED WITH THE MAISONS

To launch the Life program, LVMH performed a review with seven volunteer Maisons belonging to its five business groups. Hennessy and the Champagne Maisons represented the Wines & Spirits Group, Louis Vuitton and Givenchy represented the Fashion & Leather Goods Group, Guerlain represented the Perfumes & Cosmetics Group, while Chaumet was the representative for the Watches & Jewelry Group, and Sephora was the representative for Selective



Retailing. This collective review resulted in the identification of nine strategic issues, which enable the guidance for the Group and its Maisons' environmental approach to be strengthened. These issues currently represent the nine aspects of environmental performance at LVMH. Five are priority issues: incorporating the environment from the product design stage, securing access to strategic raw materials, the traceability and compliance of the materials and products used, suppliers' environmental and social responsibility, and reducing the CO₂ emissions relating to the business activities. These are supplemented by four other issues: preserving critical know-how, the environmental excellence of production processes, the lifespan of the products and the ability to repair them, and the ability to respond to customers' questions about the environment.

FIVE LIFE CHALLENGES FOR MAKE UP FOR EVER

In 2014, a LIFE working group enabled Make Up For Ever to identify its five priority environmental challenges:

- incorporating the environment from the product design stage;
- the traceability and compliance of the materials and products;
- suppliers' environmental and social responsibility;
- reducing the CO₂ emissions relating to the activities;
- the environmental excellence of the production processes.

Performance indicators for each issue have been included in the Maison's "green scorecard".

KEY CHALLENGES FOR EACH MAISON

To join the Life program, of the Group's nine strategic environmental challenges, the Maisons must choose the most essential to them, in view of their respective activities and problems. The challenges to meet are not the same for all the Maisons. Accordingly, minimizing greenhouse gas emissions is a more important issue for the Maisons that are involved in selective retailing, and where the stores consume energy, than for Maisons that work in the perfumery sector. Conversely, protecting ecosystems and natural resources is a key issue for those Maisons, since their work involves precious stones and metals. Once their challenges have been identified, the Group expects the Maisons to implement action plans in order to improve their performance, in addition to indicators for measuring and monitoring the progress achieved.

SHARED INDICATORS AND SPECIFIC INDICATORS

To prepare for the roll-out of LIFE, each pilot Maison has drawn up an action plan that illustrates and ranks its strategic challenges, and has introduced a series of indicators for assessing its performance. This work, which was combined with a methodological review, has enabled LVMH to design a shared and uniting model in more depth, while distinguishing between the specific indicators and the shared indicators. In fact, even though all the Maisons can calculate the environmental performance of their packaging on the basis of the EPI (Environmental Performance Index, see page 37 in section 3), they must take their businesses' specific operating methods into account in order to assess the compliance of the materials used or their suppliers' practices.

SIX LIFE INDICATORS FOR LOUIS VUITTON

Louis Vuitton has selected six LIFE performance indicators linked to its main environmental challenges (eco-design, control of the supply chain, the energy-efficiency of facilities and stores, compliance of the materials, management of the logistics carbon footprint and the environmental performance of the activities):

- the energy-efficiency of the stores;
- the breakdown of transport flows by mode;
- the rate of wastage during the production process;
- the ratio of materials where the primary origin is known;
- the ratio of audited suppliers;
- the measurement ratio for the products' regulatory environmental compliance.

A PROGRESSIVE ROLL-OUT, COMPLETED AT THE END OF 2014

After the pilot stage, LIFE was gradually rolled out within LVMH, in accordance with a detailed methodology that included four stages. The first stage consisted in appointing a project head. The second stage consisted in identifying and ranking the most important environmental challenges for the activity. The third stage consisted in defining one or several action plans for each issue identified. The fourth stage consisted in introducing the monitoring indicators relating to the action plans. Antonio Belloni, LVMH's Chief Executive Officer, then set a new target: he wanted all of the Group's Maisons to incorporate LIFE into their strategy plan by the end of 2014. The Environmental Department supported this integration process, by meeting the Chairmen and Chairwomen of the Maisons, and publishing program implementation handbooks for each business group for them. In January 2015, virtually all the Maisons had rolled out LIFE.

FOUR STRATEGIC ENVIRONMENTAL PRIORITIES FOR SEPHORA

In July 2014, Sephora approved a strategy plan including four LIFE challenges:

- the eco-design of a product or range of products;
- socio-environmental audits on the suppliers;
- the activities' carbon footprint;
- the sales advisors' ability to answer questions about the environment.

A GLOBAL REVIEW INVOLVING ALL EMPLOYEES

The Maisons' action plans for rolling out the LIFE program were drawn up on the basis of key questions. How do we incorporate eco-design into the product briefs and the development stages? How do we identify strategic materials and develop specific networks with the suppliers in order to preserve resources and secure long-term supplies? How do we identify major environmental risks in the supply chain, and help suppliers find solutions? How do we identify critical skills and ensure their continuity? What do we do to improve the energy efficiency of the logistics chain so as to reduce greenhouse gas emissions? What resources do we use to reduce the environmental footprint of production systems? How do we increase products' lifespan, or ensure that they can be repaired? What organizational structure do we need to put in place in order to answer increasingly frequent questions from stakeholders about the business activities' environmental impact? These preliminary questions were essential for identifying solutions. The approach also relied on what each Maison had already achieved in terms of protecting the natural environment. It combined environmental expertise with a participative approach, which included all of the Maisons' business units (finance, purchasing, marketing, information system, human resources, production, logistics, etc.).

A LARGE NUMBER OF BENEFITS ARE EXPECTED

By setting the priorities to share, by involving all the teams and all the employees, and by encouraging the creation of a common language that promotes cooperation and the dissemination of best practices, the LIFE program has given a fresh momentum to LVMH' environmental policy. The roll-out of the LIFE program has many advantages for the development of the Group and its Maisons. It gives each Maison a cross-divisional view of its activities, and reinforces collective initiative. It is also a source of new opportunities, and a driver for innovation and development. In addition, it will contribute to protecting the brands' image, to reducing costs, and to improving internal and external communications.

3 QUESTIONS FOR...

What relationship do the Maisons in LVMH's Wines & Spirits business group have with the environment?

These Maisons have a direct and clear relationship with the natural environment, since they enhance the fruits of the earth, primarily the vines, they use water to produce some of their products, such as whisky, and they age them in wooden casks. They all share in celebrating the natural environment. This involves a symbiotic relationship with nature and listening to it on a daily basis, 365 days per year, in order to embrace its characteristic features, and obtain the best possible return from those features. The harvests in the Champagne region are undoubtedly the most symbolic illustration of this approach: they involve thousands of people over a very short timeframe, whose actions are orchestrated with minute precision, in order to ensure that the result is perfect.

However, our commitment to protecting the environment goes beyond the framework of our activities. Our aim is to enable nature to give the best of itself: to achieve this aim, we must contribute to disseminating sustainable development best practices to the other operators in our business sectors, in order to make collective progress. In addition, among the many examples relating to our production and delivery process, we would underline the significant effort on transportation that has long been made by our Maisons, and which has already enabled a significant reduction in CO₂ emissions by prioritizing sea transport.

What has the implementation of the LIFE program changed for these Maisons?

Each Maison has, for some time now, implemented a series of major initiatives relating to the issue of sustainable development. A new stage has been reached thanks to LIFE, by creating global momentum. Our Environment Committee,



Jacques Mantz
Moët Hennessy's Finance Director

which includes around 15 specialists from each Maison, is in charge of the roll-out process. This has enabled us to make progress in terms of determining our goals for this issue, to share our experiences and best practices, and to increase our capabilities and motivation thanks to the "group effect". The Committee has identified seven topics for review: sustainable agriculture, energy, waste, water and discharges, eco-design, responsible procurement, and the green supply chain. It applies the Maisons' highest level of expertise to each topic. For instance, Veuve Clicquot is very active in terms of the eco-design of packaging, while Hennessy has

done a lot of work on issues relating to water. Sylvie Bénard, LVMH's Environment Director, supports us in our approach: as a permanent member of the Environment Committee, she attends all our meetings, provides us with technical support, challenges us, and acts as a link with the Group.

What are the benefits of this collective momentum?

It has enabled us to encourage all the Maisons to draw up their environmental roadmaps for the coming years. We have jointly set ourselves a series of short and medium-term targets for the various topics that we have identified. For instance, to develop our "green supply chain", we want 100% of our suppliers to be subject to contractual clauses committing them from an environmental standpoint, and to audits aimed at ensuring that these clauses are properly complied with by the end of 2015. The Maisons will now move forward at their own pace, tailored to their individual requirements. The setting up of the Environment Committee has already had a positive impact on them, by facilitating a community-led response to sustainable development issues. Since the Committee was set up, we have observed a tangible increase in the awareness and involvement of all employees as regards issues relating to the protection of the natural environment.

PERFORMANCES THAT ARE ASSESSED ON A REGULAR BASIS

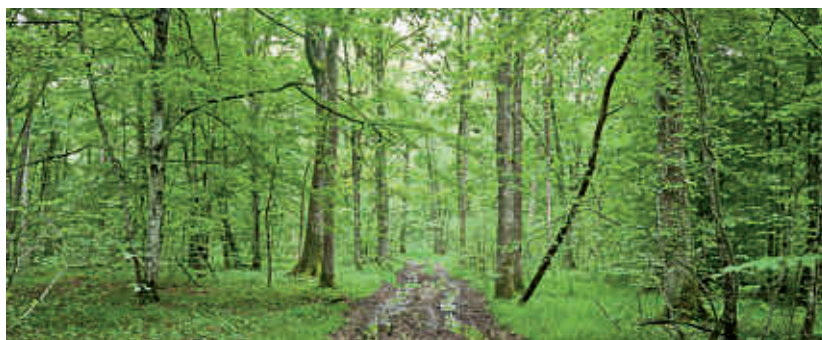
INTERNAL ASSESSMENT PROCESS

Keeping indicators up-to-date is the first stage in an approach aimed at protecting the environment, as this enables the impact of the activities on the natural environment to be assessed, and areas for improvement to be identified, as well as the progress made from one year to the next to be measured. Even before rolling out the LIFE program, and as early as 1998, LVMH therefore designed a reporting tool that covers the main issues relating to the environment. The Group companies can use the tool's questionnaires to monitor and steer their own indicators, while every company is free to adjust them in accordance with its environmental impact, and the frequency of the measurements gathered.

The data gathered are checked by the Statutory Auditors, and supplemented by audits, which have been consolidated in LVMH's management report since 2004. They may also be disclosed, upon request, to stakeholders such as environmental and social rating agencies, shareholders, investors and customers.

EXTERNAL ASSESSMENT PROCESS

LVMH is assessed on its environmental policy by its external stakeholders. The Group is included in the main indices based on responsible investment criteria, i.e., FTSE4Good Global 100, Euronext Vigo Eurozone 120, and ESI (Ethibel Sustainability Indices) Europe. It has also responded to the annual campaigns organized by the CDP, a non-profit international organization that assesses the impact of multinational companies on the environment, and has been questioning them about their greenhouse gas emissions (CDP Climate Footprint Disclosure) since 2003, on their water management (CDP Water Footprint Disclosure) since 2010, and on their impact on forests (CDP Forest Footprint Disclosure) since 2013. LVMH was rated 88/B in the 2014 CDP (compared with 67/C in 2013). Furthermore, the Group was recognized as "the sector leader and the most improved company for the Textiles, Apparel & Luxury Goods Sector" as part of the 2014 CDP Forest Footprint Disclosure. The French Corporate Information Centre (CFIE), which performs an annual survey on the social and environmental information provided in companies' annual reports, awarded LVMH a mark of 59/100 in 2014.





THE DRIVERS FOR ACTION

TO SUCCESSFULLY IMPLEMENT ITS ENVIRONMENTAL POLICY AND ROLL OUT THE LIFE PROGRAM, LVMH RELIES ON INTERNAL DRIVERS FOR ACTION SUCH AS TRAINING AND CERTIFICATION.

AT THE SAME TIME, THE GROUP TAKES ACTION TOGETHER WITH ALL OF ITS STAKEHOLDERS, INCLUDING SUPPLIERS, CUSTOMERS, PUBLIC AND PRIVATE PARTNERS, GOVERNMENTS, LOCAL AUTHORITIES, NGOS AND VOLUNTARY ORGANIZATIONS.



EMPLOYEE INFORMATION, AWARENESS-RAISING AND TRAINING

ONE IMPERATIVE: TO MAKE EVERY EMPLOYEE A STAKEHOLDER IN THE APPROACH

LVMH and its Maisons invest in staff awareness-raising, information and training on environmental protection every year. The aim is to ensure that employees can be both stakeholders in the approach and limit their own impact on the natural environment, regardless of their function and their position at the company. Several materials have been designed in order to increase employees' expertise on environmental issues. Depending on the level of involvement of the individuals concerned in the day-to-day management of issues relating to the protection of natural resources, the measures taken range from simple awareness-raising initiatives to extended technical training courses.

AN ISO 14001 INTERNAL AUDIT TRAINING COURSE THAT LEADS TO A QUALIFICATION

In 2014, four environmental management system managers from the Guerlain, Hennessy, Louis Vuitton, and Make Up For Ever Maisons, together with one employee from the LVMH Environmental Department completed an internal ISO 14001 audit manager training course leading to a qualification. This initiative will continue in 2015, providing training to around 10 additional individuals. It will enable the Group to develop joint audits with the Maisons' environmental auditors, to exchange best practices, and to increase the overall effectiveness of the audits.

A VARIETY OF INITIATIVES, RANGING FROM RAISING AWARENESS TO EXTENDED TRAINING

A large number of initiatives illustrated LVMH's efforts in terms of information, awareness-raising and training of its employees on the environment in 2014, together with the diversity of initiatives in this area developed within the Group. These initiatives amounted to a total of 21,489 hours. Accordingly, Belvedere launched the "Ongoing Improvement Academy" in March, which gathered 311 suggestions from employees aimed at improving the Maison's performance, including from an environmental standpoint. On a different note, Parfums Christian Dior chose to raise its staff's awareness by including an environmental indicator in the mandatory and voluntary profit-sharing agreement. Over the past few years, Guerlain has organized a monthly training session for its new employees at all of its certified facilities. Quarterly events dedicated to sustainable development have helped the boutiques' beauty advisors to answer any questions that customers may have on this issue. In addition, the Maison has continued to train Sustainable Development Advisors, who are responsible for helping to raise the awareness of all the employees. Topical meetings have enabled more detailed presentation of the environmental initiatives implemented by Guerlain to the employees, and more widely, to review all

of the issues relating to protecting the natural environment, such as managing waste, or regulations on substances and raw materials. Meanwhile, Marc Jacobs invited around 40 employees from the production and development teams to attend a training course on sustainable procurement, and Louis Vuitton added a tailor-made introductory eco-design module to its 2015 training catalogue; the principle of the module is to bring together the teams responsible for product development, from the designers to the after-sales unit, including the industrial logistics teams. LVMH also put 2014 to good use, by strengthening the network of ISO 14001 accredited internal auditors at its Maisons, through the training of eight Louis Vuitton employees and six Hennessy employees.

PREVENTING AND MANAGING RISK

A COMPREHENSIVE RISK MANAGEMENT SYSTEM

LVMH is continually increasing its understanding, assessment, reduction and prevention of environmental risks attached to its business activities, whether those risks relate to product design and packaging, to the purchasing policy, logistics, transportation, the production processes, the countries where the Group operates, or specific media issues. The Group's internal control and risk management system is structured around a shared methodology and a single set of guidelines, where the roll-out is coordinated by the LVMH holding company. Since 2004, mapping tool that was designed in house has enabled the systematic identification of industrial, environmental and operational risks on the basis of joint guidelines. These risks are ranked so as to enable identification of those that need to be handled as a priority and to facilitate decision-making. To prevent and reduce the frequency and gravity of the risks, LVMH draws up operational action plans and business continuity plans, monitors and controls their implementation, and assesses their results.

A CLOSELY MONITORED VALUE CHAIN

The production and storage facilities are exposed to the risk of incidents ranging from water damage to natural disasters. To identify, assess and prevent those risks, the Group relies on both internal expertise such as its Maisons' security, quality assurance, and environment managers, and on external expertise. The Maisons are audited by external third parties or internal experts on a regular basis, which enables them to keep their compliance monitoring plan up-to-date. Accordingly, 124 internal audits and 90 external audits specifically focusing on the environment were performed in 2014, covering 34% of LVMH's 264 industrial, logistics or administrative facilities in total. These audits were supplemented by a large number of compliance controls, which the Group companies perform on specific regulatory points at their facilities on a regular basis, such as the sorting of waste, for instance. LVMH also focuses on preventing and avoiding risks relating to products: the Group exercises a high level of vigilance as regards compliance with safety and quality regulations, and increases transparency on an ongoing basis. It relies on several tools and approaches to achieve this aim. Accordingly, the HACCP (Hazard Analysis Critical Control Point) method enables the two

main Maisons in the Wines & Spirits and Perfumes & Cosmetics business groups to improve their anticipation of, and their responsiveness in the event of product recalls. LVMH also carries out a case law watch in order to gain a more thorough understanding of liability risks, especially those that may affect its brands. To supplement this system, the Group requires all its partners to subscribe to its Supplier Code of Conduct, which grants it the right to conduct compliance audits at any time without advance notice.

THE ENVIRONMENTAL MANAGEMENT AND CERTIFICATION PROCESS

ISO 14001 CERTIFICATION, A DRIVER FOR PROGRESS

LVMH's Environmental Charter requires each Maison to establish an environmental management system as part of a management-driven policy. In the case of most Maisons, this requirement is reflected in the introduction of ISO 14001 certification processes: in fact, these guidelines enable the Maisons to measure the environmental impact of their activities, to align themselves with an ongoing improvement approach, and to increase the credibility of their commitment to the environment.

At the end of 2014, 42% of the Group's industrial, logistics and administrative facilities were ISO 14001 certified. Some Maisons, like Hennessy, saw their certification confirmed during the year, following a control audit. Other Maisons increased the number of facilities, or extended the scope of the issues covered. Following its subsidiaries in the Benelux region and Japan in 2013, Guerlain's German subsidiary was ISO 14001 certified in July 2014. In 2015, it will be the turn of the subsidiaries in Spain and Portugal, as well as time for the renewal of the certification for La Ruche, Guerlain's new plant in Chartres. Louis Vuitton also pursued its aim to obtain ISO 14001 certification for all its facilities and workshops in 2014. In France, the Saint-Pourçain facility was certified with zero compliance breaches, while the Issoudun-Condé workshop was awarded Level 2 ISO 14001 certification. The year was also notable for the awarding of ISO 14001 certification to the Louis Vuitton Leather Goods and Accessories



La Ruche, Guerlain's new manufacturing facility in Chartres (France).

logistics chain: from the point of departure from the manufacturing workshops to arrival at the store doors. This is a world first, which was applauded by AFNOR, the official French body to the International Organization for Standardization. This recognition, which not only commits the Maison, but all its transport and logistics partners, rewards Louis Vuitton's commitment to responsible logistics over the past ten years (see also the interview with Vincent Barale on page 13).

A SUCCESSFUL FOLLOW-UP AUDIT FOR MAKE UP FOR EVER

The follow-up audit on the Make Up For Ever environmental management system took place on June 30, 2014. No compliance breaches were identified. The auditor applauded the increased maturity of the system, which was introduced in 2013, and mentioned several strong points, including the strong commitment of all the parties involved, the constant efforts to improve environmental performance, and the results achieved. Accordingly, the Maison has reduced its water consumption by 16%. Also praised were the regulatory watch and ICPE monitoring, the effectiveness of the training courses and of internal communications, the management of emergency situations, training for internal auditors and the performance of joint audits.

ADDITIONAL CERTIFICATION FOR SOME MAISONS

Several Maisons in LVMH's Wines & Spirits business group introduced certification processes that complement the ISO 14001 certification process. For instance, the entire Champagne, Cognac and Vodka division was also ISO 22000 certified. This standard enables the harmonization of food safety management processes, and guarantees maximum safety for consumers. In Poland, the Belvedere Distillery has developed a comprehensive certification system, which is based not only on the ISO 14001 and ISO 22000 standards, but also on the OHSAS 18001 standard (guidelines for managing health in the workplace) and the HACCP (Hazard Analysis Critical Control Point) method, which aims to assess critical danger-points in order to control them. In California, Chandon California and Newton adopted a new environmental policy for managing their vineyards in 2011, enabling them to obtain Napa Green Winery certification. Both vineyards obtained a second certification the following year, namely Napa Green Land, which is based on a program aimed at protecting watersheds in Northern California, and specifically includes the protection of ecosystems, the prevention of erosion and the reduction of waste.

GUERLAIN'S NEW HQE-CERTIFIED PRODUCTION FACILITY



La Ruche plant in Chartres, a genuine sustainable development flagship for Guerlain, began operating in September 2014.

An ambitious project

La Ruche was built on a ten-hectare site, three kilometers away from an existing facility that had become too small. When it began building the plant, Guerlain had one goal, namely to increase production under the best social and environmental conditions possible. The challenge has been met. During the construction works, the waste was sorted, the noise, visual and traffic nuisance was limited, while the soil, water, and air pollution was controlled. Guerlain also requested the monitoring of water and energy consumption, ongoing training for the teams on the construction site, and regular information for the neighboring residents.

A building awarded “Excellent” HQE certification

The site itself was the subject of stringent environmental measures, enabling it to be awarded “Excellent” HQE (Haute Qualité Environnementale or High Environmental Quality)

certification. La Ruche applies the principles of the circular economy where water, energy, and waste are concerned. The bioclimatic design and the heat exchanger limit the need for air conditioning. Recovered rain water supplies the sanitary facilities, where the water is heated via thermal solar panels. The insulation was carefully designed in order to maximize the building's energy efficiency, while the lighting is provided by energy-saving systems managed by motion detectors and light intensity sensors. Meanwhile, the waste sorting process has been optimized.

One goal: reducing the carbon footprint

These efforts are all aimed towards the same goal, namely, to reduce Guerlain's carbon footprint by 20% between 2007 and 2017. La Ruche is packed with sensors, in order to monitor the progress made: over 600 measurement points record the consumption of water, energy, and steam. Meanwhile, to ensure that the plant creates an environmental footprint that is as light as possible, Guerlain has entered into an agreement with the project manager that commits them to the facility's good results.

A commitment that is environmental, but also social and societal

Guerlain's approach went further than simply standardizing the building. Particular attention was paid to biodiversity and to the development of La Ruche's green spaces. In fact, the plant owes its name to eight beehives installed in the center of the central patio, which will enable one pot of honey to be given to every one of the 350 employees each year. Furthermore, 302 trees have been planted around the facility, while 20 parking spaces in the car park are equipped with plugs for electrical or hybrid vehicles. The Maison has also focused on the employees' comfort and well-being, for instance by insuring that they are provided with as much light as possible, and has involved them closely in the project.

SUSTAINABLE CONSTRUCTION AND RENOVATION

A GLOBAL APPROACH AIMED AT MINIMIZING THE ENVIRONMENTAL IMPACT OF BUILDINGS

Today, most of the construction or renovation programs performed at LVMH include environmental criteria, regardless of whether they involve industrial facilities, warehouses, boutiques, or administrative buildings. To make the buildings compliant with the new environmental protection requirements, the Group and its Maisons rely on methods such as the BBC® (Bâtiment Basse Consommation, or Low Energy Building) label; certification in accordance with the French HQE standard; the British BREEAM® (Building Research Establishment's Environmental Assessment Method), and the US LEED® (Leadership in Energy and Environmental Design) system. Thanks to this approach, around 30 buildings built by the Group and its companies over the past ten years have an environmental profile that complies with the highest sustainable development standards.

FURTHER PROGRESS IN 2014

2014 enabled LVMH to make further progress in terms of sustainable construction. For instance, Sephora has drawn up two factsheets, one for France and one for the United States, which will enable them to actualize the many benefits relating to building or renovating a store in accordance with an environmental approach. In Italy, the renovation of the Bvlgari store in Rome, on Via dei Condotti, incorporated several environmental best practices. For instance, the store was fully fitted out with LED lighting, which will enable its energy consumption to be reduced by around 40%. Meanwhile, after receiving official certification as a pilot operation as part of the "HQE Industrial Building" initiative in 2013, awarded by Certivéa for its Mont-Aigu vat room in Oiry, in the Champagne-Ardenne region, Moët et Chandon began the second stage of the project, this time involving the cellars and the bottling facility. 2014 also saw the most recent Starboard Cruise warehouse receive LEED® certification. Meanwhile, the La Ruche plant in Chartres – the figurehead of the Guerlain Maison's sustainable construction policy – was awarded "Excellent" level HQE certification (see also the focus on page 25 in this chapter).



Moët & Chandon's HQE fermenting room at Mont-Aigu.

THE LOUIS VUITTON FOUNDATION, AN EXEMPLARY PROJECT

Over the past ten years or so, Louis Vuitton has met the challenge of sustainable construction by developing outstanding expertise in terms of environmental performance on a project-by-project basis. This policy reached its high point on October 20, 2014 with the inauguration of the Louis Vuitton Foundation in the center of the Bois de Boulogne, under the direction of the architect Franck Gehry. Environmental performance was at the heart of the project, from the construction site to the operation of the building. The carrying-out of several preliminary studies on animal and plant species, water tables, noise nuisance and access enabled all environmental parameters to be taken into account and preserved at each stage: design, construction and operation. The introduction of an effective waste traceability and management process, and the reduction of energy expenditure were priority targets throughout the construction process. The innovation in terms of HQE was not limited solely to energy savings or recycling, but also affected, for example, the choice of materials. The protection of natural resources was also a constant concern in the operation of the building, as demonstrated by the installation of a rain water recovery and re-use system, as well as by the use of geothermal power to heat and cool the premises. The project's characteristic features enabled it to be selected as a pilot project for drawing up new HQE guidelines dedicated to cultural buildings.



THE PARTNERSHIP WITH FRB



In November 2014, LVMH joined the eight public research bodies that are members of the Board of Directors of the Biodiversity Research Foundation (FRB).

A first in FRB's history

Founded in 2008, the FRB's remit is to encourage research on biodiversity and the dissemination of that research at national, European and international level. This was the first time that it had welcomed a private company to its Board of Directors, which until then had been made up of eight public research bodies (BRGM⁽¹⁾, CIRAD⁽²⁾, IFREMER⁽³⁾, INRA⁽⁴⁾, IRD⁽⁵⁾, IRSTEA⁽⁶⁾, CNRS⁽⁷⁾ and MNHN⁽⁸⁾). LVMH's candidacy, proposed by François Houllier, the Chairman and CEO of INRA, was unanimously approved by the members of the Board. The Group has acquired the status of a founding member of the Foundation, and now contributes to its financing by providing it with a grant every three years.

A long-standing commitment

This event established LVMH's long-standing commitment to biodiversity. The issue is a major one for the Group. Whether it involves wool, silk, leather, flowers or the mining of gold, the manufacturing of its products is heavily dependent upon the natural environment. In fact, access to essential raw materials features among the nine key challenges identified as part of the LIFE program. The admission of LVMH to the FRB Board of Directors also reflects its involvement alongside the Foundation, which the company

has been supporting for over six years. Sylvie Bénard, the Group's Environment Director, has acted as the Vice-Chairman of the FRB's Strategic Orientation Committee for four years. This Committee brings together 160 members in order to review the joint design of research programs aimed at promoting biodiversity.

A fruitful partnership

The partnership between LVMH and FRB has resulted in a significant amount of research. For instance, at the Group's request, the FRB conducted a study aimed at gaining a better understanding of the complexity of the issues relating to the application of the Nagoya Protocol. This Protocol, which was adopted in 2010, establishes the principle of access to and sharing benefits, and aims to govern the relationship between a supplier of genetic resources and a user during research and development activities. The experts gathered by the Foundation met the LVMH Perfumes & Cosmetics Research team, and carried out several assignments in order to gather information from operators in two supply sectors (*Aframomum Angustifolium* from Madagascar, and *Anogeissus Leiocarpus* from Burkina Faso). They were therefore able to make a series of recommendations regarding the use of natural substances and accessing and sharing benefits in the cosmetics industry.

(1) French Geological and Mining Research Office.

(2) International Center for Cooperation on Agronomic Research for Development Purposes.

(3) French Research Institute for Exploitation of the Sea.

(4) French National Agronomic Research Institute.

(5) French Development Research Institute.

(6) French National Research Institute of Science and Technology for the Environment and Agriculture.

(7) French National Scientific Research Center.

(8) French National History Museum.

PROFESSIONAL EXCHANGES

EXCHANGES AT EACH BUSINESS SEGMENT LEVEL

LVMH, aware of the progress enabled by joint reviews and collaborative working, is involved in various professional technical projects aimed at protecting the environment, which are being conducted in its business sectors. The Maisons in the Watches & Jewelry business group have been involved in the work of the Responsible Jewellery Council (RJC) since 2005. This body now includes over 160 global professional operators, who are committed to promoting ethics, human rights and responsible environmental practices in the precious metals and diamond sectors, from the mine to the point of sale. An approach of this kind provides assurance that all the stages of the extraction, processing, and marketing process comply with sustainable development issues and criteria. Within the Wines & Spirits business group, Bodegas Chandon is a member of the Argentina Wineries Sustainable Development Committee, which determines and fine-tunes the water and energy consumption indicators most relevant to the wine industry. LVMH has also been a member of the Leather Working Group since 2012; this is a British professional organization that has introduced an environmental rating system for tanneries, and a system for assessing the traceability of the skins.

RJC-CERTIFIED MAISONS

The Responsible Jewellery Council has designed a certification system for its members involved in working with gold and diamonds. Between 2011 and 2012, all the Maisons in the LVMH Watches & Jewelry business group (including Bvlgari, Chaumet, Fred, Hublot, De Beers Diamond Jewellers, Zenith, TAG Heuer and its retailing subsidiaries in the United Kingdom, Japan and the United States, as well as the Louis Vuitton jewelry business) obtained RJC certification, which requires them to undergo checks performed by accredited independent auditors.

EXCHANGES WITH OTHER ECONOMIC OPERATORS

In addition to the discussions conducted within its business sectors, LVMH pursued discussions on sustainable development issues with economic operators from all backgrounds in 2014. In particular, the Group is a member of the international network, Business for Social Responsibility (BSR), the global leader in the social, societal and environmental field for companies, which it supports via targeted advice, research, and collaborative multi-sector initiatives. LVMH is particularly interested in issues relating to sustainable procurement, and is also involved in the RESP (Responsible Ecosystems Sourcing Platform). This platform has brought together luxury goods operators in the cosmetics, fashion and jewelry sectors since 2012 to develop best practices for the procurement of raw materials and natural resources. LVMH takes part in all the RESP working groups dedicated to the traceability and sustainability of exotic leathers, colored stones, wool, and some plant-based substances.

PROJECT AND RESEARCH PARTNERSHIPS

PARTNERSHIPS WITH GOVERNMENT AUTHORITIES AND REGIONAL AUTHORITIES

LVMH and its Maisons are involved in several collective sustainable development initiatives introduced by the French Government authorities. In particular, the Group is one of the National Biodiversity Strategy award winners. This major instrument for driving a national commitment to sustainable development aims to protect, restore, and increase the diversity of the living world in every area for which France is responsible, in both Metropolitan France and overseas. In this context, LVMH identifies the priority sectors to address via an analysis of the impact on biodiversity, commissions sector audits, and takes action to promote and disseminate best practices for combating the erosion of biodiversity.

LVMH is also involved in the French regions. Louis Vuitton attends local committees on issues involving waste and energy organized by the Cergy Urban District. The Maison is also involved in facilitating the PLATO SME network with the Val-d'Oise Chamber of Trade and Industry. Furthermore, LVMH's advanced research teams are well represented in the Cosmetic Valley. This French technology hub, which is one of a kind, and is based in three regions near Paris, became a competitiveness cluster in 2005. Over the years, the Group has consolidated the operations of its LVMH Perfumes & Cosmetics unit at the cluster. The unit was founded in 1981 in order to enable its Maisons to benefit from the most cutting-edge advances in R&D, and to enable them to develop the formulas and textures of the future on a fully independent basis.

AN INTERNATIONAL COMMITMENT

LVMH is committed to working side by side with government authorities and regional authorities throughout the world. In Argentina, for instance, Bodegas Chandon has joined the "Clean Production" program supported by the Argentine Government and the Inter-American Development Bank. This program aims to increase the synergies between the Government and wine producers, in order to develop responsible production, primarily via programs aimed at raising awareness and providing training on best practices. Meanwhile, the Belvedere Distillery has set up an Environmental Protection Foundation in Poland, with the City of Zyrardów where it is based, and several local farmers. In 2014, the Foundation organized an environmental outing on the Pisia River in canoes, which enabled 4 m³ of waste to be removed from the water.

PARTNERSHIPS WITH VOLUNTARY ORGANIZATIONS AND RESEARCH BODIES

To strengthen its methodological review on environmental protection, and so develop its capacity for action, LVMH works in partnership with various voluntary organizations and research bodies. The Group took on the vice-presidency of the Biodiversity Research Foundation's Strategic Steering Committee for several years, before becoming the first private company to become a member of the FRB Board of Directors in 2014 (see also the focus on page 28 in this chapter). LVMH is also a member of Orée (Organisation pour le Respect de l'Environnement or the Organization for the Protection of the Environment), which brings together companies, regional authorities, professional and environmental organizations, and institutions in order to review environmental best practices and ways of encouraging integrated management of the environment at a regional level. These collaborations are supplemented by academic partnerships. In particular, LVMH has entered into a five-year agreement with the CIRAIG (Centre universitaire de recherche sur le cycle de vie des produits, procédés et services, or University Center for Research on the Life Cycle of Products, Processes and Services) based at the Montréal École polytechnique. In this context, Loewe took part in the design of a tool for assessing the environmental performance of leathers, with a view to identifying key criteria (water and energy consumption, and use of chemicals) as a basis for developing eco-design. The Group's Maisons also form their own academic partnerships. For instance, Belvedere signed an agreement with the Łódź Technological University in 2005, which enables it to reward the best theses in the biotechnology field every year.



Belvedere vodka distillery in Poland.



TAG HEUER'S COMMITMENT ALONGSIDE FIA FORMULA E

By supporting FIA Formula E, the automobile world's new 100% electric championship, TAG Heuer is making two commitments: one historical, namely supporting motor racing; the other, closely linked to TAG Heuer's sustainable development policy, aims to promote clean energy.

TAG Heuer and motor racing, a long history

Fast cars have always fuelled and inspired TAG Heuer. The watch making Maison invented the first speedometers in 1911. It was the Ferrari Formula One team partner in the 1970s. Since 1985, it has been part of the McLaren adventure,



with the team that has won the most motor sports titles. It has supported champions such as Juan Manuel Fangio in the 1950s, and Jenson Button and Sébastien Ogier today. TAG Heuer continued on this path in 2014, when it became the founding partner and the official timekeeper for FIA Formula E, the new championship for fully-electric cars, which was launched in Beijing in September 2014 and will soon be welcomed by the largest cities in the world (Buenos Aires, Punta Del Este, Miami, Long Beach, Berlin, Monaco, London and others).

A Maison that is committed to the environment

By supporting FIA Formula E, TAG Heuer is also following an environmental corporate sponsorship approach that it began around ten years ago. This approach notably resulted in fund-raising campaigns organized with Leonardo DiCaprio, the American actor, for the benefit of the Natural Resources Defense Council (NRDC) and Green Cross International, two international NGOs that are very active in the environmental protection field. In keeping with these initiatives, the Maison has demonstrated the seriousness of its commitment by rolling out several sustainable environmental measures at its facilities. For instance, the Maison has installed one of the largest solar power systems in Western Switzerland on the roof of its plant in La Chaux de Fonds: 777 m² of sensors generating 108,000 kWh of power per year, i.e., the equivalent consumption of around 40 households.

A new partnership aimed at building the electric future

TAG Heuer had already demonstrated its interest in developing environmentally-friendly transport modes by organizing the first 100% electric Roadster World Tour to mark its 150th anniversary. The Maison's support for FIA Formula E extends this commitment by supporting one of the motor industries of the future over the coming decades. In fact, the championship will actually be used as an experimental laboratory for electric vehicles aimed at the general public, by promoting research and innovation in the battery field in particular. At the same time, it will increase general interest in this kind of vehicle, thereby contributing to changing mentalities and showcasing a clean form of energy.

ENVIRONMENTAL CORPORATE SPONSORSHIP

CORPORATE SPONSORSHIP AGREEMENTS AIMED AT STRENGTHENING THE GROUP'S APPROACH

To ensure the success of its environmental policy, very early on LVMH identified another driver for action, namely, corporate sponsorship. Accordingly, in 2014, the Maisons in the Wines & Spirits business group moved forward with the three-year program launched with the French National Forestry Office, aiming to protect the biodiversity and enable the sustainable development of the Montagne de Reims national forests in the Marne Department. Meanwhile, TAG Heuer put the year to good use in strengthening its ties with the environment; these ties have become increasingly strong over the past ten years. As a historical partner for Formula One, the Maison currently supports the FIA Formula E (the new 100% electric racing championship in the automobile world), the first race of which took place in Beijing on September 13, 2014 (see also the focus on page 32 in this chapter). 2014 also saw Louis Vuitton renew its partnership with La Réserve des Arts®, a platform that retrieves and recovers waste from companies for professionals in the creative arts. As part of this partnership, collections are organized on a regular basis at the Maison's Head Office business units, its Asnières workshop, and its Cultural Facility, for the benefit of costume designers, architects, young artists, choreographers, and sculptors.

GLENMORANGIE MAKING A COMMITMENT TO THE DORNOCH ESTUARY

To draw attention to the importance of the Scottish seas, coastline and animal species, Glenmorangie launched a limited edition named after Dornoch, a Scottish estuary, an area of outstanding natural beauty which is now protected. A percentage of the sales has been passed onto the Marine Conservation Society (MCS), which is in charge of maintaining and protecting the estuary.

SUBSTANTIAL SUPPORT FOR PROTECTING BEES

Over the past few years, the Group Maisons that are historically linked to the bee via the symbols on their emblems have committed to protecting this crucial link in the pollination chain and the long-term survival of certain plants. When the Abeille Royale franchise was created, Guerlain signed a corporate sponsorship agreement with the Association Conservatoire de l'Abeille Noire Bretonne de l'Île d'Ouessant (the Organization for the protection of the Ouessant Island Black Brittany Bee), which manages 150 hives. The Maison provides financial support to the organization, helps it showcase the initiatives implemented, and provides it with legal support. Accordingly, the organization was able to purchase an electric vehicle in 2014 so as to move around the island without generating any pollution. Guerlain's commitment earned it the 2013 "Coup de Cœur" Sustainable Development Sponsorship Trophy awarded by

the French Ministry for the Environment, Sustainable Development and Energy. Chaumet launched the “Save the Bees” campaign with the Terre d’Abeilles Organization, which it has been supporting since 2002. Each bee jewelry item in its “Catch me... if you love me” collection helps to support the program to protect bees and initiatives to forefront the value of bees, aimed at their inclusion in the UNESCO World Heritage list.

Louis Vuitton was the first Maison in the Group to install hives at some of its facilities (the Head Office building at the Pont-Neuf in Paris, the Cergy-Pontoise logistics facilities and the Hong Kong warehouse). But rather than corporate sponsorship, the Maison chose a four-year study and research partnership with the CNRS (French National Scientific Research Centre) on the theme of “Town Bees and Country Bees”. The aim is to analyze the reasons why bees do better in urban areas than in rural areas.

COMMUNICATION

EFFORTS TO INFORM ALL STAKEHOLDERS

LVMH is increasing its communication on its environmental policy.

The challenge for the Group is twofold. First, it involves informing its employees, partners, and shareholders, together with all the other participants involved in its activities (customers, neighboring residents, control authorities, local authorities, NGOs and voluntary organizations), about the initiatives implemented and the results achieved in as comprehensive and transparent a manner possible. Second, it involves answering all the questions relating to protecting the environment at LVMH. In this regard, 2014 was notable for the publication of Loewe’s first Sustainable Development Report and Sephora’s first CSR Report for the 2013 financial year. The Loewe report was distributed to all of the Maison’s employees, to its strategic suppliers, and to a few select partners. Meanwhile, the Sephora Report – which summarizes the initiatives implemented by the Maison in order to reduce its environmental, social, and societal impact during the year in around 40 pages – was published online on the Maison’s website. Meanwhile, certain Maisons such as Hennessy and Louis Vuitton continued to add to the pages dedicated to social and environmental responsibility on their intranet and websites in 2014.



PARTICIPATION IN MAJOR SUSTAINABLE DEVELOPMENT EVENTS

Major events provide LVMH and its Maisons with a privileged framework for demonstrating their commitment to the environment. This is particularly the case with National Sustainable Development Week, which is organized once a year by the French Ministry for the Environment and Sustainable Development, in order to raise the French public's awareness of sustainable development issues and to encourage everyone to adopt responsible behaviors. The 2014 event, which was held between April 1 and 7 on the theme of the transition to a low-carbon economy, was no exception to the rule. To mark the occasion, Make Up For Ever for the third year running organized the "For Ever Week", enabling it to raise employees' awareness of sustainable development over the course of a week. Several initiatives were implemented, such as increasing awareness of the environmental impact of transport, and of the best practices to adopt in this area. These were relayed by the blog launched by the Maison in 2013 for employees at all its French sites to share their environmental information and experiences. The Maisons in the Wines & Spirits business group presented examples every day of initiatives implemented by their teams to reduce energy consumption as part of the energy performance plans launched several years ago at their various facilities. They also raised the general public's awareness of positive gestures for the environment, primarily by organizing a conference on responsible consumption, and giving drivers an opportunity to try out the Zoe electric car. The Hennessy Maison is heavily involved in sorting and recovering the waste that it generates, from the waste generated by its production activities to the plastic bottles and paper used in its offices. Over a period of five years, thanks to the efforts made by all of the Maison's employees, the percentage of waste recovered increased from 87% to 92% in 2013, making the Maison an example to follow in terms of recovering waste. International Sustainable Development Week provided an opportunity to assess the scope of the initiatives implemented, and to highlight this topic via a film broadcast on the intranet, and a quiz distributed to all employees. Louis Vuitton showcased its international EOLE Logistics Center, the first warehouse to be awarded High Environmental Quality (HQE) certification in France. The Maison also broadcast a film presenting the approach that enabled the facility to become a standard-setter in the sustainable construction field.

PARTICIPATION IN GREEN WEEK FOR THE FOURTH YEAR RUNNING

Just like every year since 2010, in 2014 LVMH took part in Green Week, the largest annual conference on Europe's environmental policy. To mark the 2014 event, which focused on the circular economy and the efficient use of resources and waste, the Environmental Department designed three factsheets, which it sent to all Group employees. The first factsheet introduced the circular economy. The second provided details of the best practices that have already been introduced in this area by LVMH. The third factsheet was dedicated to CEDRE, LVMH's waste recycling platform (see also the focus on page 61 in chapter 3). Several Maisons also rebroadcast the event, like Louis Vuitton, which celebrated Green Week at its Barberà workshop.



INITIATIVES IMPLEMENTED IN 2014

IN 2014, BOOSTED BY THE MOMENTUM OF THE LIFE PROGRAM, LVMH AND ITS MAISONS CONTINUED THEIR EFFORTS TO PROTECT THE NATURAL ENVIRONMENT. THESE ARE REFLECTED IN THE INITIATIVES, BASED ON THE NINE STRATEGIC CHALLENGES IN THE GROUP'S ENVIRONMENTAL POLICY, WHICH WERE IMPLEMENTED DURING THE YEAR.



Waste recycling at LVMH Fragrance Brands.

-4%⁽¹⁾

Energy consumption
in 2014: **795** GWh

(1) Change compared to 2013
at constant scope.



INITIATIVES IMPLEMENTED TO FACTOR IN THE ENVIRONMENT FROM THE PRODUCT DESIGN STAGE

TOOLS AND TRAINING

Eco-design, which aims to reduce the environmental footprint of a product throughout its life cycle, is a major priority in LVMH's environmental policy. Over the past few years, the Group has gathered an array of tools in order to promote its development. Thanks to the Simapro life cycle analysis software, its teams are able to rapidly identify the measures to take in order to reduce the impact of their products on the natural environment. The Edibox tool has been rolled out at the Parfums Christian Dior, Guerlain, LVMH Fragrance Brands, Make Up For Ever, Louis Vuitton, Bvlgari and Sephora Maisons in order to incorporate environmental criteria into packaging design right from the start. It enables the Environmental Performance Index (EPI) and the greenhouse gas emissions generated by packaging materials to be calculated. The criteria factored in are weight, volume and the separability of the materials, as well as the number of packaging layers. The launch of this new tool provided an opportunity to raise awareness amongst all marketing and development teams. The Champagne Maisons, Hennessy, Belvedere and Glenmorangie have also rolled out the EPI. Meanwhile, the "Food for Thought" handbook, which is prepared every year, offers a selection of around 40 innovative materials that are environmentally friendly and appropriate for the luxury goods industry, thereby helping the designers and the marketing teams to include protecting the environment in their thinking. Louis Vuitton distributed this handbook widely among the Accessory Manufacturing teams in 2014, as well as to the members of its L'Vision Cross-Divisional Innovation Committee, and to around 30 of the Maison's key staff.

LVMH and its Maisons also rely on employee training. Accordingly, in 2014 the Group's Environmental Department organized sessions to raise awareness of eco-design intended for the Loewe and Louis Vuitton designers. In the case of Louis Vuitton, the year was also characterized by the launch of a training program entitled "Designing in another way to innovate tomorrow". The aim was to provide participants with simple tools for reducing the environmental impact of products by implementing tangible initiatives that are primarily based on identifying areas for improvement resulting from the analysis of life cycles. Following a pilot campaign conducted with the teams responsible for wheeled luggage, an initial session was attended by the Accessory Manufacturing industrial teams in Italy. This is how the Environmental Department is developing its methodological capital via successive training courses.

A NEW STEERING BODY FOR GUERLAIN

Some Maisons are adjusting their organizational structure in order to make incorporating environmental issues from the product design stage easier. In 2014, for instance, Guerlain decided to set up a new body: a Sustainable Innovation Committee, which each quarter brings together the employees responsible for marketing and packaging in order to approve major decisions relating to eco-design.

INNOVATIVE PROJECTS

Eco-design is a constant source of innovation for LVMH. A large number of projects have been developed, of a very diverse nature, ranging from changes to the substances or raw materials used to informing consumers about the environmental impact of the products, including reducing the weight and volume of the packaging.

2014 was no exception to the rule. The Champagne Maisons launched “Naturally Clicquot 2”, where the isothermal box made from potato starch is the first 100% biodegradable champagne case. They also continued to seek FSC Forestry Certification for all of their cardboard packaging (cases, boxes and shipment boxes). As the certified cardboard ratio amounted to 100% in 2014, the approach was extended by the PEFC certification of the wood cases and boxes used for the most prestigious products. Belvedere has also switched to FSC certified cardboard for its cases. The offset printing on the boxes has been reduced with no loss of visual quality, which has enabled a saving of 20 grams of ink for each box manufactured. Likewise, to mark the change in its packaging charter, Guerlain decided to purchase only FSC certified cardboard for the manufacturing of its cases, and to have this logo printed on its cases. In addition, the Maison has continued to roll out an exclusive refill service for its Orchidée Impériale range in its Paris boutiques: customers bring back their empty cream containers to have them refilled, and benefit from an exclusive moment at the boutique (tea, beauty advice and express make-up) while they wait. Meanwhile, Thomas Pink has had messages for customers printed on some of its packaging aimed at encouraging recycling.



“Naturally Clicquot 2”, the new Veuve Clicquot’s box.

+1%⁽¹⁾

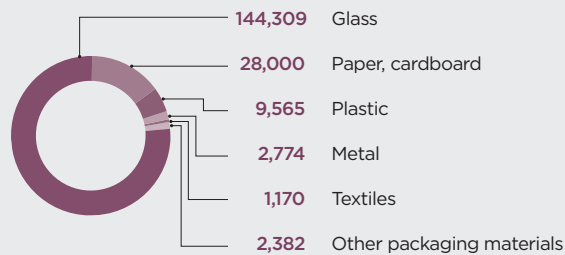
Packaging that reaches customers in 2014:
188,200 metric tons

(1) Change compared to 2013 at constant scope.

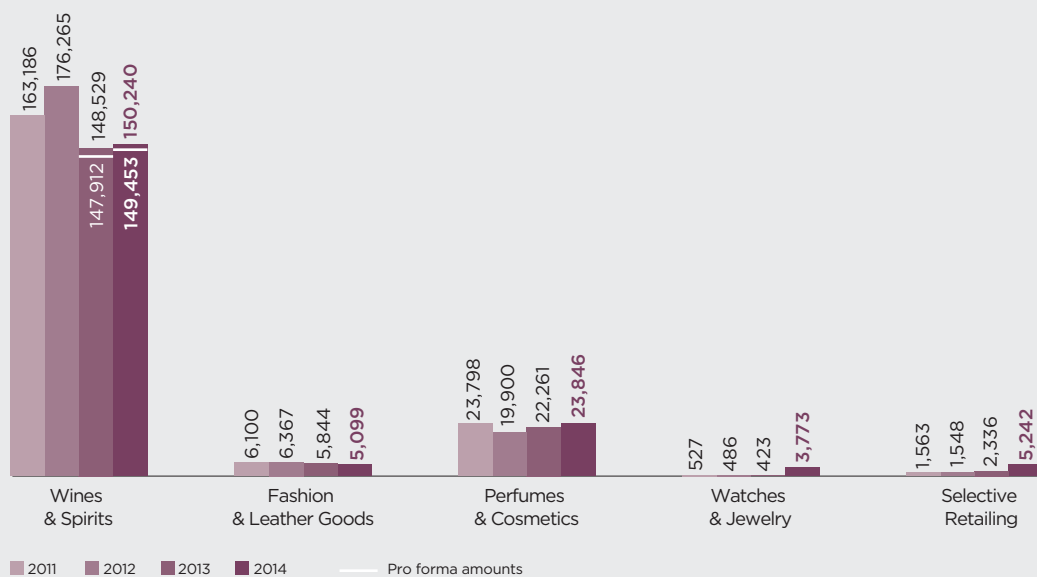
FURTHER PROGRESS IN THE WORKS

2014 enabled LVMH and its Maisons to make progress on eco-design. Accordingly, Loewe introduced an initiative that aims to replace the glues used in the manufacturing of its products by a water-based adhesive. The Hennessy Maison has identified areas for improvement covering nine key aspects of environmental performance: eco-design, strategic raw materials and supply sectors, traceability and compliance of the materials, relations with suppliers, know-how, reducing greenhouse gases, environmentally-friendly manufacturing processes, the lifespan of the products and customer information.

QUANTITY OF PACKAGING BY TYPE OF MATERIAL IN 2014 (in metric tons)



CHANGE IN THE PACKAGING INTRODUCED TO THE MARKET BY BUSINESS GROUP (in metric tons)



Hennessy has calculated the Environmental Performance Index for all its packaging projects in order to optimize them; this approach enabled a 10% improvement in the EPI of its packaging in 2014. The Maison has also defined an EPI for its electric and electronic advertising items with the help of external experts. A costing program aimed at assessing, comparing, and improving the effectiveness of the environmental policies of the Maison's suppliers is now included in the specifications.

ECO-DESIGN FURNITURE FOR SEPHORA

LVMH does not intend to restrict eco-design to products and packaging. This was proved by the fact that, when Sephora's make-up table was due for replacement in 2014, its merchandising division analyzed the life cycle of the prototype intended to replace it, in order to identify ways of reducing the table's environmental impact.

LIFE

INITIATIVES AIMED AT IMPROVING PRODUCTS' LIFESPAN

Very high quality standards, directly related to the Group's environmental performance, are a key aspect of LVMH's activities. By manufacturing products with a very long lifespan, offering customers after-sales services, and holding downstream reviews of the ability to repair their products, the Maisons reduce the use of natural resources, and promote the development of sustainable consumption. For example, Loewe has introduced a maintenance and cleaning service for ready-to-wear and leather products. Meanwhile, Louis Vuitton has committed to designing sustainable products for its customers that defy time, and to provide them with an effective after-sales service. The Maison has prioritized a global approach, strengthening the collaboration between the Louis Vuitton teams responsible for product development, quality assurance and after-sales service. Over 50% of its after-sales operations every year are performed in Louis Vuitton repair workshops spread throughout the world. The others are performed in-store or entrusted to local partners.





MEASURES TAKEN TO SECURE ACCESS TO STRATEGIC RAW MATERIALS AND PROTECT BIODIVERSITY FROM THE OUTSET

A RESPONSIBLE PROCUREMENT STRATEGY

The choice of the components and raw materials used in the manufacturing of products is a key driver for protecting the environment, especially where the essential natural resources for LVMH's business activities are concerned. This observation has encouraged the Group to introduce a sustainable procurement strategy that preserves raw materials. The strategy specifically focuses on the materials that the Maisons use most often to manufacture their products and packaging, for example, grapes, leather, plant-based essences, precious stones and metals, glass, paper and cardboard.

For instance, Louis Vuitton strengthened its policy aimed at purchasing sustainably sourced wood in order to meet the new requirements of the European Union wood regulations. The Maison now systematically chooses varieties that are FSC or PEFC certified for its communication materials, packaging, and the layout of its stores and store windows, and as far as possible pursues this goal for certain exceptional products such as trunks or eyewear. Furthermore, the Maisons in the Perfumes & Cosmetics, Fashion & Leather Goods and Watches & Jewelry business groups have launched several projects aimed at complying with the international regulations arising from the 1992 Agreement on Biological Diversity. They also perform sector audits in order to assess their practices' compliance with the Nagoya Protocol in terms of access to and sharing benefits, and supporting the development of new responsible and fair procurement channels.

TWO MAIN AREAS OF ACTION:

ETHNO-BOTANY AND SUSTAINABLE VITICULTURE

LVMH is very active in the ethno-botany field. The Ethnobotanical Innovation Department of LVMH Perfumes & Cosmetics identifies plant species that have cosmetic benefits throughout the world, and helps to protect them, while supporting the economic and social development of the areas in which they grow. For instance, the "Jardins de Dior" are plots of land selected throughout the world for the quality of their soil, their irrigation and their climate. They are dedicated to the cultivation of flowering plants chosen for their exceptional properties. Any human intervention in these gardens is carried out in a highly environmentally-friendly way. Accordingly, the Granville Rose, the key active ingredient in the Dior Prestige skin care range, is grown according to organic farming standards, and picked by hand.

Guerlain has dedicated the Orchidarium, a research center like no other in the world, to orchids, which are one of its emblematic raw materials.

The Orchidarium consists of three units: a fundamental research laboratory in Strasbourg, France; an experimental garden in Geneva, Switzerland; and an exploratory reserve in Tianzi, in China's Yunnan region. Guerlain signed a ten-year corporate sponsorship agreement with the Tianzi Reserve in 2009.

The agreement allows Guerlain to take action in four areas: re-establishing and protecting the tropical forest, introducing and growing orchids of all kinds (aside from those required to supply the Maison), transmitting know-how to the people who work in the reserve, and protecting the region's animal and plant species. Since the beginning of the partnership, the number of orchids replanted in Tianzi has reached 10,000, and they were awarded the BIO certification issued by Ecocert in 2014.

Furthermore, over the past few years, Guerlain has been setting up a sustainable vetiver supply channel in Southern India, enabling it to ensure the availability of a raw material with significant olfactory properties. Together with the local population, the Maison is developing a controlled and environmentally-friendly cultivation of vetiver on the high plateaus overlooking the city of Coimbatore. All of the plant is used, in order to produce perfume, as well as to plant new cuttings and feed cattle. Its roots limit soil erosion, and increase the soil's moisture content and fertility. In addition, this industry has enabled the creation of a new economy for the region. In 2014, Guerlain launched a study that will enable an irrigation program to be designed in order to help to grow crops.

AGRO-ENVIRONMENTAL MEASURES AT HENNESSY

Since January 2011, several plots in the Hennessy vineyard have been included in the "Standard-Setting Farms", a network that was formed as part of the Ecophyto program. This program was launched by the French Ministry of Agriculture in 2008 following the Grenelle Environmental round table, and aims to gradually reduce the use of plant health products in France, while maintaining a high level of agricultural production, in terms of both quantity and quality.

The action plan implemented at the standard-setting Hennessy farm provides for efforts to reduce the doses of products used, the use of sprayers with recovery panels, and the use of natural plant-based products in order to prevent mildew, among other measures. At the same time, Hennessy has taken measures to promote biodiversity, by rolling out several agro-environmental measures at its La Bataille and Le Peu domains. 11 hectares of experimental fallow land, including a mix of nectar-rich plants and nematicides, have been sown on plots where the vines were pulled up in early 2014. This mix, which was designed in partnership with the French Vineyard and Wine Sciences Institute, Vitinnov, Bordeaux Science Agro, and a seed supplier, will enable the soil to be prepared before replanting, while flowering and enhancing the area.

Sustainable viticulture, another key aspect of LVMH's responsible supply policy, ensures the sustainability of vines while encouraging biodiversity. The Champagne Maisons are very active in this field. They have adopted a large number of best practices, such as the use of the sexual confusion method in order to protect vines against grape worms and to avoid the use of insecticides, the technique of growing grass between the vine rows in order to control the spread of weeds, as well as building dry stone walls or planting hedgerows. These efforts earned the Champagne Maisons Certiphyto certification for the viticultural treatment of the operating facilities. Meanwhile, their vineyard became the first in the Champagne region to be awarded dual High Environmental Value and Sustainable Viticulture certification in 2014. This is just the start, since the long-term goal is to roll out this approach to all of the Maisons' grape suppliers, in order to ensure sustainability and guarantee the quality of the supplies.



INITIATIVES IMPLEMENTED TO ENSURE THE TRACEABILITY AND COMPLIANCE OF MATERIALS AND PRODUCTS

CLOSE MONITORING

As part of its general risk management policy, LVMH ensures the traceability and compliance of materials and substances used, in order to prevent any damage to health or the environment. The Group has always paid particular attention to compliance with regulations, the opinions issued by scientific committees and the recommendations of professional organizations. It has introduced stringent internal rules regarding the development of new products and imposes these rules, which may result in the reformulation of some products, on its suppliers.

Over the past few years, LVMH has focused on developing a "virtuous circle" against a backdrop of increasing regulatory pressure: the Group's experts identify the most restrictive regulations, and help the Maisons to gradually adopt them by involving their suppliers. To achieve this aim, the Group has designed tools such as the REACH Letter, named after the European regulations that streamlined and improved the former European Union regulatory framework for chemicals. This document is now systematically sent when commercial relations are established with a Maison, regardless of its business group. By signing the document, the supplier commits to complying with the requirements of REACH (or similar regulations).

The LVMH Environmental Department has set up a network of 150 REACH officers at the Maisons. It brings those officers together on a regular basis, in order to exchange information and best practices, anticipate future regulatory deadlines and foster the emergence of substitution or innovation projects.

Moët Hennessy pursued its commitment to responsible alcohol consumption in 2014. Its initiatives target employees, consumers, guests and visitors. In the case of consumers, in addition to scrupulously complying with local regulations, Moët Hennessy sets its own internal rules, especially where communications are concerned: for example, its Marketing and Communications Best Practices Code, guidelines for Internet communications, screening minors on the website, and so on. Furthermore, the teams provide training to hundreds of people worldwide on the product-tasting ritual, by explaining the aesthetic, cultural, gastronomic and historical aspects of the products.

ANTICIPATING AND INCORPORATING REGULATORY CHANGES

The LVMH Group policy on the sensitive issue of using animal-testing as part of assessing the safety of finished products has always been clearly defined: the aim is to ensure the safety of consumers using our products while being mindful of respect for animal life. This is why, in 1989, the Perfumes & Cosmetics companies stopped testing on animals for the products that they brought to market, well before the official European Union ban which dates from 2004. Since then, the development of alternative methods to animal-testing remains a genuine scientific challenge, to which the LVMH Group continues to make a very active contribution.

The LVMH Group is particularly vigilant as regards complying with regulations, opinions issued by scientific committees and the recommendations of professional organizations, both in Europe and throughout the world. It also abides by strict internal rules for the development of new products, which are also imposed on the LVMH Group's suppliers.

The Group has held true to this commitment for several years, and supports this policy via an approach designed to anticipate changes in international regulations. This anticipation is made possible by the efforts of the Group experts, who regularly take part in the working groups set up by French and European authorities and are very active in professional organizations.

The work performed by the Group experts in terms of monitoring new regulations and changes in scientific knowledge regularly leads the LVMH Group to ban the use of some substances, and to work on reformulating certain products. These very high standards enable LVMH to guarantee the safety of its cosmetics, not only at the time when they are brought to the market, but also throughout the period that they are marketed. In addition, a customer relations network has been set up so that we can review any complaints made by our customers and ensure the monitoring of our products from a cosmetic standpoint.

A PROCESS THAT HAS BEEN TIGHTENED FOR SOME BUSINESS ACTIVITIES

Although it is essential, the regulatory approach is not always adequate for ensuring the traceability and compliance of the materials and substances used. Accordingly, LVMH goes further for some business groups, by developing a genuine risk management policy. In the case of the Perfumes & Cosmetics business group, for instance, the company has set up a customer relations network, which is responsible for assessing the complaints made by its customers and performing a cosmetic vigilance service. Any complaint made by product users, regardless of whether it relates to an intolerance or a severe irritation, is reviewed by a specialized team, and assessed by a professional. A consultation with a dermatologist may even be offered to the customer. This approach enables the exploration of new research avenues in order to improve product quality. The Fashion & Leather Goods business group is also the subject of specific efforts. LVMH has drawn up a testing program, in partnership with independent international laboratories: the LVMH Smart Testing Program. By explaining which substances to test on which materials and in which way, this turn-key tool provided to the Maisons reinforces their control systems.

LOUIS VUITTON, A VERY VIGILANT MAISON

The vigilance exercised by Louis Vuitton in terms of the compliance and safety of products and materials provides a good illustration of the importance assigned to this issue within the LVMH Group. In 2014, the Maison all but completed the withdrawal of solvent-based glues from its leather-working workshops, including its sub-contractors in this process, and innovated in order to find alternative solutions for products that are sometimes very difficult to glue. The year also saw Louis Vuitton approve its Safety program, which strengthens the controls on regulated substances. The program extends the list of undesirable substances, sets thresholds below the regulatory thresholds, introduces an annual program of tests on priority materials and establishes a process for monitoring the supplier response rate to the REACH Letter.





INITIATIVES IMPLEMENTED IN ORDER TO INCREASE THE RESPONSIBILITY OF SUPPLIERS AND SUB-CONTRACTORS

RULES AT THE GROUP LEVEL

LVMH views its relationships with its suppliers and sub-contractors as a crucial aspect of its responsibility, risk management and competitiveness. The security of its supplies, and the sustainability and traceability of its products depend on these relationships, as does the development of eco-design, or good waste management.

This is why the Group introduced a Code of Conduct for all its suppliers in 2008, in the same way as it drew up and ensured the internal application of its Environment Charter. By setting the basic requirements that the Maisons must forward to their respective suppliers, this document has emphasized the importance of responsible practices from an environmental and social standpoint, such as compliance with regulations and standards, the use of environmentally-friendly technologies and the implementation of an environment management system. All the Group companies have now incorporated social and environmental criteria into the selection of their partners, and require these to comply with all the guiding principles issued by LVMH.

To ascertain that these principles are properly complied with, the Supplier Code of Conduct gives the Group the right to perform compliance audits at any time without notice, which it does every year. Accordingly, 925 social and/or environmental audits were performed at 787 suppliers in 2014; 90% of those audits were performed by independent and specialized experts. Some results were fed into the SEDEX platform in order to share and pool information on suppliers.

TRAINING DRIVE

LVMH began drawing up a training course on the Environmental Assessment of Suppliers in 2014, working together with some of the Maisons. The course will be offered to environment managers, as well as to any employees in contact with the Group's partners, for example, buyers, developers, quality assurance managers and so on.

INVOLVEMENT OF THE MAISONS

In addition to the general LVMH policy, each Maison implements its own initiatives aimed at involving and assessing its suppliers. This process is reflected in several outstanding initiatives implemented in 2014. Louis Vuitton incorporated a supplier environmental assessment protocol into the processes of its Purchasing Departments. This protocol will enable an initial assessment of the environmental risks posed by suppliers (20 assessments were performed in 2014, including 15 by external service providers), and will be followed by a second stage: a risk-mapping process, leading to more in-depth audits on some companies. The Maison pays particular attention to the issue of pollution caused by waste water discharged into the natural environment, and has also formally set down a discharge analysis program for the suppliers who are principally concerned, beginning with tanneries. The Champagne Maisons have added environmental criteria to the specifications for the service providers responsible for transporting and storing their products. Meanwhile, Marc Jacobs has added an environmental section to its social audit questionnaire. Guerlain has put the finishing touches to the “LVMH Perfumes & Cosmetics Responsible Purchasing” charter, which enables it to formally set down the conditions for a responsible relationship with every supplier, and has sent it to all of its partners. Sephora performed the first four environmental audits on two suppliers in China, and has scheduled 19 more in 2015, while Starboard Cruise is preparing to launch its own audits in 2015. Bvlgari has completed the roll-out of its social and environmental audit program in all its business areas (jewelry, diamonds and precious stones, watches, perfumes, leather goods, and textiles). Furthermore, the Maison has signed an agreement with Bureau Veritas, which will audit all the Bvlgari Accessories suppliers, as well as their respective sub-contractors. Among the other outstanding initiatives during the year, Hennessy continued to assess all its dry materials suppliers on the basis of environmental criteria. 28 partners in total were assessed in 2014, which enabled an average environmental score higher than the previous year's to be recorded. 65 companies that provide services to Hennessy and operate on-site were also made aware of this topic at a specific meeting, during which they were given an “Environment, Food Safety, and Safety Best Practices Handbook”.

BELVEDERE IS MAKING ITS SUPPLIERS MORE RESPONSIBLE

The Belvedere Distillery in Zyrardów introduced a partnership with its pure alcohol suppliers in 2014. The Maison is pursuing a triple goal, namely securing and strengthening the quality of the alcohol supply, ensuring that the supply is local, and guaranteeing environmentally-friendly farming practices.



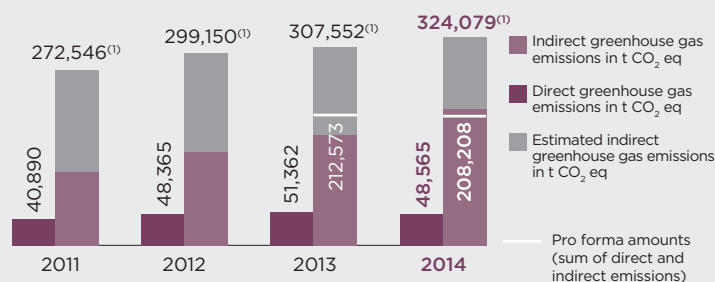
INITIATIVES IMPLEMENTED IN ORDER TO REDUCE THE BUSINESS ACTIVITIES' IMPACT ON CLIMATE CHANGE

MEASURED EMISSIONS

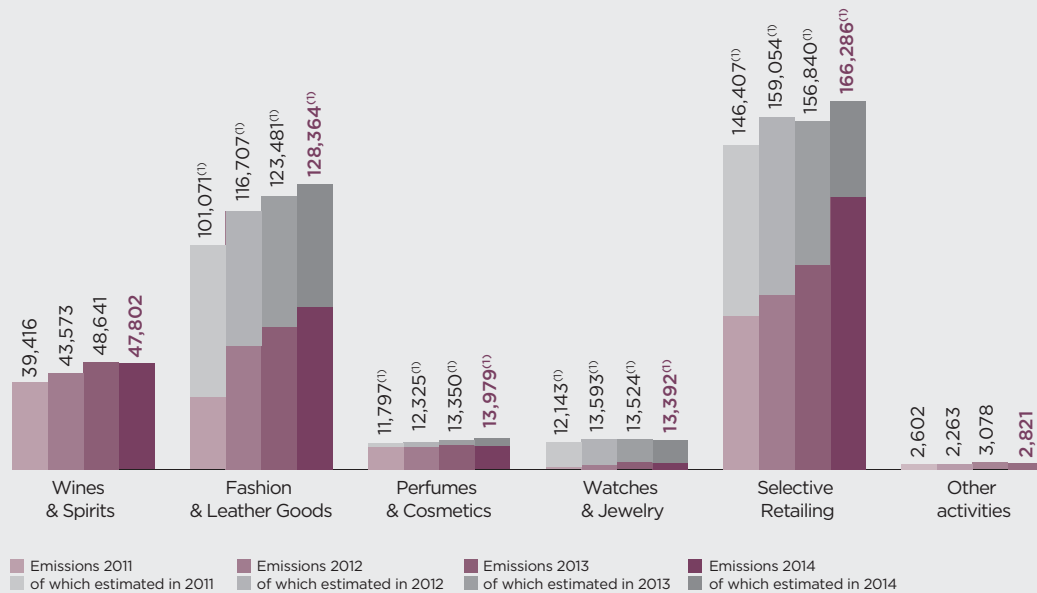
LVMH emitted 260,840 metric tons of CO₂ equivalents into the atmosphere in 2014. This amount was supplemented by the 111,804 metric tons of CO₂ equivalents generated by 38% of the sales floor areas of the four business groups (Selective Retailing, Fashion & Leather Goods, Perfumes & Cosmetics, and Watches & Jewelry) that are not included in the accounting consolidation process. The Group has made combating climate change a priority, and is strengthening its system for measuring the greenhouse gas emissions generated by its business activities on an ongoing basis. The main areas for improvement are streamlining transportation and reducing in-store energy consumption. The Group also performed a review of the various issues involved in adapting to climate change in 2013. The two key components of the Group's adaptation strategy in the medium term are changing viticulture practices and the location of facilities.

Since 2002, the Group has drawn up a carbon report for most of its Maisons. Two Maisons (Le Bon Marché and Guerlain) have measured their emissions every year since 2008. In addition, Sephora published its second global carbon report in 2014, the scope comprising all of its stores and head offices. The emissions generated by the transportation of goods and employee travel, the logistics chain, energy consumption and investments (including in vehicles) were assessed. LVMH is capable of assessing its carbon footprint in an increasingly accurate manner, and is making efforts to reduce it primarily by working on two aspects, namely, maximizing the energy-efficiency of the facilities, and reducing the emissions relating to transportation. At the same time, the Group is developing its use of renewable energy.

CHANGE IN GREENHOUSE GAS EMISSIONS (in CO₂ equivalent metric tons)



(1) The greenhouse gas emission estimates for the sales floor areas excluded from the consolidation scope and the assessment process (38% in 2014, 47% in 2013, 54% in 2012, and 60% in 2011) are shown in a different manner: 111,804 t CO₂ eq in 2014, 135,600 t CO₂ eq in 2013, 154,144 t CO₂ eq in 2012, and 158,074 t CO₂ eq in 2011.

CHANGE IN GREENHOUSE GAS EMISSIONS BY BUSINESS GROUP (in CO₂ equivalent metric tons)

(1) The greenhouse gas emission estimates for the sales floor areas excluded from the consolidation scope and the assessment process (38% in 2014, 47% in 2013, 54% in 2012, and 60% in 2011) are shown in a different manner.

BREAKDOWN OF DIRECT AND INDIRECT EMISSIONS PER YEAR

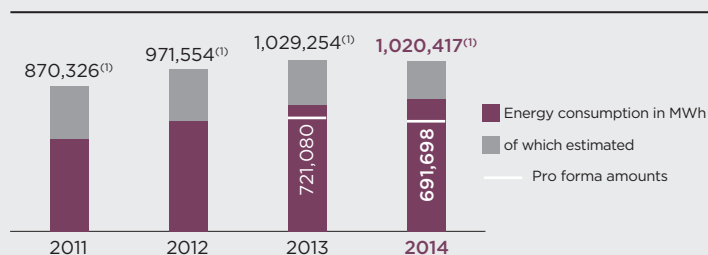
(in CO ₂ equivalent metric tons)	2014			2013			2012		
	Total	% of direct emissions	% of indirect emissions	Total	% of direct emissions	% of indirect emissions	Total	% of direct emissions	% of indirect emissions
Wines & Spirits	47,802	67	33	48,641	68	32	43,573	67	33
Fashion & Leather Goods	128,364	4	96	123,481	6	94	116,707	5	95
Perfumes & Cosmetics	13,979	40	61	13,350	45	55	12,325	41	59
Watches & Jewelry	13,392	10	90	13,524	8	92	13,593	9	91
Selective Retailing	166,286	2	98	156,840	1	99	159,054	4	96
Other activities	2,821	29	71	3,078	31	69	2,263	31	69
TOTAL	372,644	13	87	358,914	14	86	347,515	14	86

These values include the estimates of greenhouse gas emissions for the sales areas excluded from the scope of reporting and audit (38% in 2014, 47% in 2013 and 54% in 2012).

ENERGY MANAGEMENT

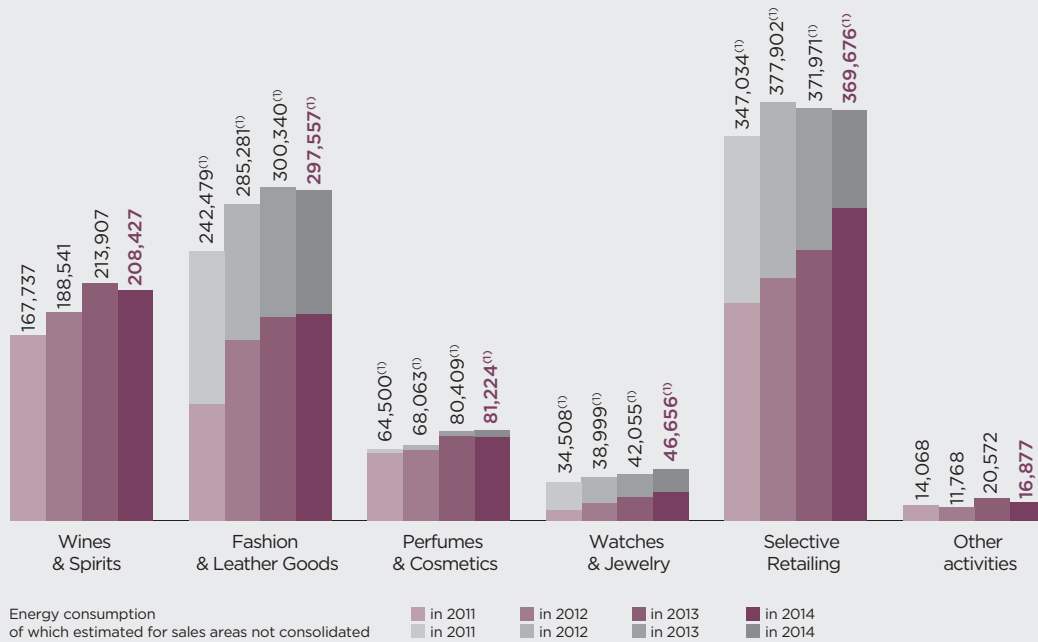
Every year, LVMH and its Maisons are increasing the number of initiatives aimed at reducing overall energy consumption, i.e., the total amount of primary energy (heating oil, butane, propane and natural gas) and secondary energy sources (electricity, iced water and steam), which are primarily used to carry out manufacturing processes and to provide air conditioning, heating and lighting for the buildings and stores. Carbon Reports® and energy audits are essential tools for drawing up appropriate strategies for reducing energy consumption. The Maisons are implementing various initiatives relating to store lighting and air conditioning, transportation, energy-efficiency and the promotion of renewable energy. LVMH's energy consumption at the subsidiaries included in the reporting scope amounted to 795,408 MWh in 2014 (760,254 MWh in 2013). The 38% of the sales floor areas that were excluded from the reporting scope consumed 225,009 MWh (269,000 MWh in 2013). The Selective Retailing business group Maisons consumed the most energy (36%), followed by the Wines & Spirits (26%), Fashion & Leather Goods (24%), and Perfumes & Cosmetics Maisons (9%). Electricity accounted for 70% of the total energy consumed, natural gas for 17%, heavy fuel for 5%, heating oil for 4%, renewable energy for 1%, and butane-propane, steam and iced water for the remaining 3%. In 2014, for instance, Parfums Givenchy performed an energy audit on the buildings at its Beauvais and Vervins facilities. Louis Vuitton continued the campaign aimed at measuring the energy consumption of its stores in China, Singapore, France and the United Kingdom as part of an overview at Group level, enabling a breakdown of consumption by type of energy usage in the stores. The results led to a review of the energy management process at the Sloane Street store. In the case of many Maisons, including Bvlgari, Guerlain, Thomas Pink, Belvedere, and Bodegas Chandon, 2014 provided an opportunity to install LED lighting, an area in which LVMH has developed extensive expertise (see also the focus on page 52 in this chapter). Accordingly, Thomas Pink increased the percentage of LED lighting in its stores to 20% in Dublin, 30% in Glasgow, and 80% in Manchester. 60% of the Maison's boutiques in the United Kingdom now include this technology. Meanwhile, pending the launch of an ISO 50001 certification initiative in 2015 (which relies on the introduction of an energy management system), the Champagne Maisons continued their ongoing eco-lighting, building insulation and heat recovery initiatives. (continued on page 53)

ENERGY CONSUMPTION (in MWh)



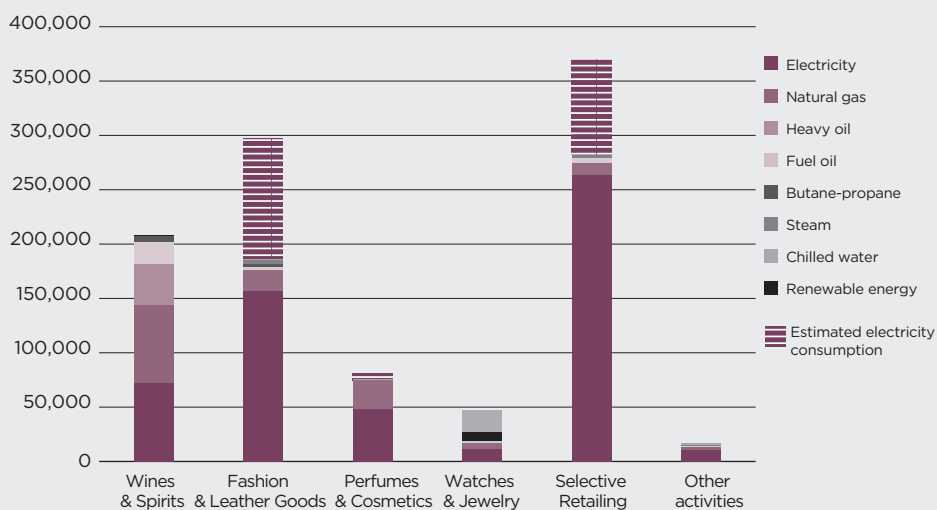
The estimated energy consumption for the sales floor areas excluded from the consolidation scope and the assessment process (38% in 2014, 47% in 2013, 54% in 2012, and 60% in 2011) is shown in a different manner.

CHANGE IN ENERGY CONSUMPTION BY BUSINESS GROUP (in MWh)



(1) The estimated energy consumption for the sales floor areas excluded from the consolidation scope and the assessment process (38% in 2014, 47% in 2013, 54% in 2012, and 60% in 2011) is shown in a different manner.

ENERGY CONSUMPTION BY SECTOR AND BY SOURCE IN 2014 (in MWh)



AN AREA OF EXPERTISE: LED LIGHTING



Issues relating to lighting have strategic importance for LVMH, in terms of optimizing its energy-efficiency and reducing its greenhouse gas emissions. Accordingly, the Group Environmental Department launched the LVMH Lighting Program in 2012, and hired an LED (Light-Emitting Diode) technology expert in late 2013.

An environmental and aesthetic concern

Disseminating the “LED culture” responds to two of LVMH’s major concerns. The first concern is environmental, since this technology provides a source of light that is less expensive, more effective and more sustainable than traditional lighting. Switching to LED automatically generates energy savings of 30%. This is particularly attractive for the stores, which cover an area of around 1 million m² throughout the world, and are responsible for 70% of the Group’s greenhouse gas emissions. The second concern is aesthetic: when it is used properly, the technology is the most appropriate one for showcasing the Maisons’ products, and improving employees’ quality of life at the offices and production facilities.

Beautiful light, sound products

The LVMH Environmental Department works on lighting issues with the teams responsible for the Maisons’ design and environment. Training sessions are organized in order to raise employee awareness of the benefits of LED technology, and to progressively share any useful information regarding lighting. Innovative projects are also emerging. This is the case, for instance, with the study on the “Taste of Light” launched with the Champagne Maisons in 2014 in order to identify the color spectrums that do not damage the wine while providing better lighting in the cellars. Furthermore, since LED technology is still relatively recent and unstandardized, the Group has set itself the priority of finding good suppliers and good products. Checking work was performed for this purpose in 2013, with the assistance of the Light Quality Check, a tool that assesses the quality of a lighting system based on several parameters.

A supplier network and an e-commerce website

This work was extended in 2014 by the signing of a collaboration agreement with around 20 lighting equipment suppliers, and the publication of a catalogue including 500 items. The catalogue was presented at the Group Head Office in Avenue Montaigne on June 20, along with product samples, during the “LED Expo2014” event. To mark that event, a “speed-dating” process was also organized between the Maisons and the suppliers, while four conferences were offered on topics such as “light and architecture”, and “light and marketing”. An e-commerce website (lvmhlighting.com) intended for the Group and its lighting installers was set up during the summer, in order to optimize the supply chain. The website has been trialed by three pilot Maisons (Christian Dior, Louis Vuitton and Sephora) since November, while its general roll-out is scheduled for 2015.

(continued from page 50) An Energy Committee was also set up in order to monitor energy consumption and incorporate the “energy savings” aspect into any new investment. Meanwhile, after measuring the energy consumption according to use at its stores, Sephora decided to trial an air curtain technology in Spain, which uses less energy in a Mediterranean climate.

RENEWABLE ENERGY

The development of renewable energy is also another priority work area for the Group. In 2014, the Bvlgari Italian and Swiss head offices were awarded green certificates testifying to their exclusive use of renewable energy, which does not emit any carbon into the atmosphere. TAG Heuer, Terrazas de los Andes, Bvlgari, Sephora Europe and Louis Vuitton have already installed solar panels at several of their facilities. Some Louis Vuitton and Veuve Clicquot facilities also use geothermal energy.

A WORLD FIRST FOR GUERLAIN

Guerlain made innovations in the sustainable urban logistics field in 2014, including a world first: in partnership with Renault Trucks, the truck manufacturer, and Speed Distribution, the logistic service provider, the Maison introduced a process for supplying its Paris boutiques from Béville-le-Comte in the Eure-et-Loire department via fully electric 16-ton trucks, which do not generate any polluting emissions or noise nuisance, and perform round trips of over 200 km. The vehicle will be tested under real operating conditions until the end of 2015, prior to an initial review.

INITIATIVES AIMED AT REDUCING TRANSPORTATION-RELATED EMISSIONS

To combat climate change, LVMH and its Maisons are also focusing on transportation, whether this involves the shipment of their main components and raw materials to their production facilities or the delivery of their finished products to the retail platforms. Even though this transportation is not directly performed by the Group, it is nonetheless subject to specific measures, such as the preference granted to local procurement or the choice of more environmentally-friendly transport modes. In 2014, for instance, Sephora signed a partnership agreement with the TK Blue extra-financial rating agency, which will help it to develop a more effective and prudent transportation approach that will generate fewer greenhouse gas emissions. Loewe has introduced an in-house tool in order to map and manage the carbon footprint of international transport routes from its production plant in Madrid to international destinations. Likewise, Louis Vuitton has been using a tool to record CO₂ emissions since 2013, which enables a report on the transport emissions relating to the shipping of leather goods and accessories that transit through the Cergy Eole central warehouse in real time, for each trip made. Hennessy has certainly not neglected its sustainable transportation efforts. Over 90% of the Maison's

shipments are now made via sea and rail transport. As part of the MH Green Supply Chain Initiative, Hennessy has included environmental requirements in its transportation agreements for finished products, including a combination of rail and road modes in Europe, and has conducted audits in order to ensure that these requirements were complied with. An environmental section has also been added to the specifications of its warehouses in ports. Meanwhile, Make Up For Ever transported its components by river between the ports of Le Havre and Gennevilliers for the first time, with a view to achieving a target of transporting 50% of its components by river on this route by 2017. Furthermore, many Maisons improved their employees' carbon footprint in 2014 by increasing the percentage of electric vehicles in their corporate fleets, developing the use of video-conferencing and encouraging car-pooling and cycling.

BREAKDOWN OF THE GREENHOUSE GAS EMISSIONS GENERATED BY UPSTREAM TRANSPORTATION IN 2014

(in CO ₂ equivalent metric tons)	Road	Rail	Air	Sea	TOTAL
Wines & Spirits	4,540	10	435	466	5,451
Fashion & Leather Goods	7,119	-	2,658	14	9,791
Perfumes & Cosmetics	8,398	-	9,676	127	18,201
Watches & Jewelry	8	-	1,465	-	1,473
Selective Retailing	-	-	-	-	-
TOTAL	20,065	10	14,234	607	34,916

BREAKDOWN OF THE GREENHOUSE GAS EMISSIONS GENERATED BY DOWNSTREAM TRANSPORTATION IN 2014

(in CO ₂ equivalent metric tons)	Road	Rail	Air	Sea	River barge	Electric vehicle	TOTAL
Wines & Spirits	21,908	567	19,582	15,790	207	-	58,054
Fashion & Leather Goods	742	10	67,908	432	10	-	69,102
Perfumes & Cosmetics	2,013	-	157,763	1,738	-	-	161,514
Watches & Jewelry	54	-	31,496	128	-	-	31,678
Selective Retailing	1,659	-	6,228	130	-	62	8,079
TOTAL	26,376	577	282,977	18,218	217	62	328,427

TWO KEYS FOR SUCCESS: COLLECTIVE WORKING AND ANTICIPATION

To reduce its greenhouse gas emissions, LVMH is developing collaborative working and group discussions. Accordingly, the Group set up a steering committee known as the “Store Lighting Working Group” in 2012, in order to deal with three issues: assessing the stores’ energy consumption, lighting and the carrying out of energy audits. In 2014, the Committee decided to launch a pilot operation in order to assess the energy consumption in 13 stores belonging to four Maisons. The sample included stores of different sizes, in different climatic regions, and of different kinds. The operation will help LVMH to prioritize its issues, draw up a list of recommendations that are appropriate for each case, and invest in the right equipment to monitor and optimize its consumption.

LVMH also relies on anticipation. Accordingly, in 2013, the Group launched a review of the consequences of climate change for its business activities and the measures to take in order to adjust to these changes. The strategy drawn up primarily focuses on changes in viticulture practices. All the possible responses were reviewed depending on the magnitude of climate change in the various areas concerned and its effects on the harvest dates, changes in the vines and irrigation. This assessment provided a large amount of information, and specifically enabled the Group to observe that the vineyards in New Zealand and Western Australia appeared to be the least sensitive to climate change, while the major challenge to meet for the vineyards in Argentina and California would be the availability of water. Several responses are possible where the European vineyards are concerned, depending on the magnitude of the climate change observed, from changing the harvest dates, changing the methods for managing the vines (widening the rows, increasing the size of the vines, using irrigation in some countries, etc.) to trialing new grape varieties.

MONITORING VOC EMISSIONS

In addition to CO₂ emissions, LVMH actively monitors and seeks to reduce another kind of emission relating to its business activities that has an impact on air quality, namely volatile organic compounds (VOCs). These emissions primarily concern the Spirits Maisons, since they appear when spirits are matured in casks. The Maisons in the Perfumes & Cosmetics and Fashion & Leather Goods business groups are also concerned to a lesser extent, as they may use volatile substances such as glues and solvents to manufacture their products.



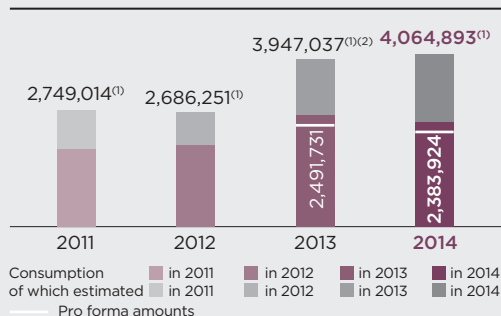
INITIATIVES IMPLEMENTED IN ORDER TO IMPROVE THE ENVIRONMENTAL PERFORMANCE OF PRODUCTION PROCESSES

PROTECTING LAND AND WATER RESOURCES

Aside from viticulture, LVMH's business activities do not use much land. Where they do, the impact on the environment is kept to a minimum by the increasing use of controlled-method or organic farming processes. Conversely, water is a key resource for the Group and its Maisons, which use it for both agricultural purposes (including in order to produce wines and spirits) and industrial purposes (e.g., to make perfumes and cosmetics). In 2014, the Group's Maisons used 7,189,237 m³ of water (6,925,027 m³ in 2013) for agricultural purposes, and 2,476,937 m³ of water (2,620,037 m³ in 2013) in their production processes. Meanwhile, the 81% of the Selective Retailing, Fashion & Leather Goods, Perfumes & Cosmetics and Watches & Jewelry sales floor areas that are excluded from the scope of the assessment consumed 1,587,956 m³ of water (1,327,000 m³ in 2013). These volumes demonstrate LVMH's strong focus on reducing its water consumption. In 2013, LVMH performed an in-depth sensitivity analysis on local restrictions for all the Group's Maisons, using the 2009 Pfister index and the 2012 Aquastat database. This analysis was based on assessing the sensitivity of each geographical region by comparing the local consumption of water with the available resources. Four Maisons that consume significant amounts of water at the Group Level are located in regions where water stress is close to 100%, i.e., regions where the water requirements are at similar levels to the available resources:

- the Cheval des Andes and Terrazas de los Andes vineyards, which account for 83% of the Group's agricultural water requirements;
- the Domaine Chandon California and Newton vineyards, which account for 4% of the Group's agricultural water requirements.

In France, for instance, a program has been rolled out at the Moët & Chandon facilities, with a view to reducing water consumption by 25% between 2013 and 2018, which would enable around 60,000 m² of water to be saved over a five-year period. The methodology used is the Lean Management methodology: after drawing up a map of the consumption points, an action plan was drawn up jointly by the technical teams and the line operators. The implementation of the solutions is combined with the introduction of a specific monitoring process for each line's consumption. Since April 2013, the measures have essentially covered two discharge lines. The savings achieved at the end of 2014 already amounted to 23,000 m³ of water.

GROUP WATER CONSUMPTION (in m³)

(1) The estimated water consumption for the sales floor areas excluded from the consolidation scope and the assessment process (81% in 2014, 81% in 2013, 76% in 2012, and 74% in 2011) is shown in a different manner: 1,587,956 m³ in 2014, 1,327,000 m³ in 2013, 760,000 m³ in 2012 and 932,298 m³ in 2011.

(2) The changes are primarily due to the increase in business volumes at Glenmorangie and the other Wines & Spirits Maisons, the inclusion of the tanneries at Louis Vuitton and new data for the Ardèche workshops.

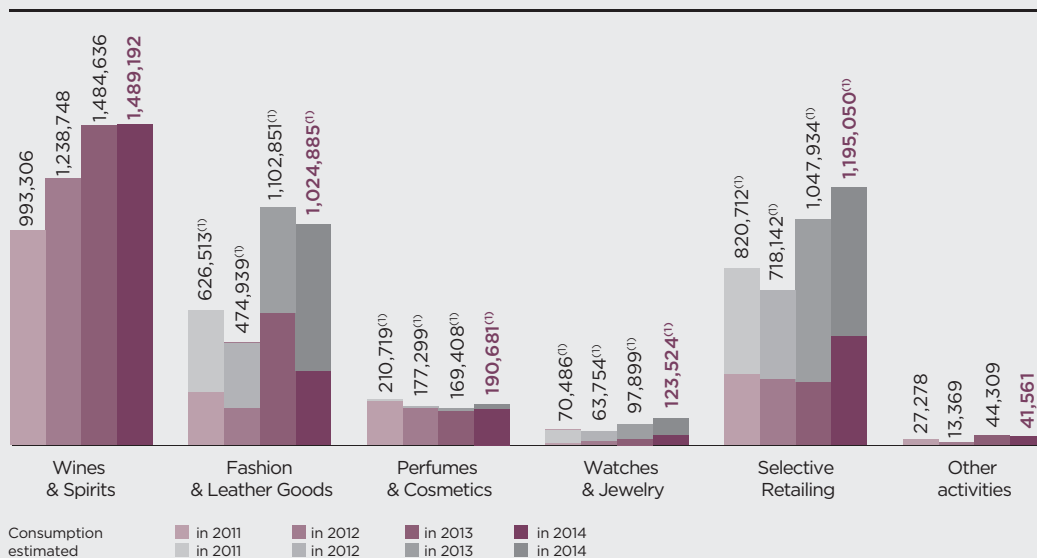
COD AFTER TREATMENT (in metric tons per year)

Sector	2014	2013	2012	2011
Wines & Spirits	4,021 ⁽¹⁾	3,590	2,790.9	2,227.3
Fashion & Leather Goods	138 ⁽²⁾	155.2	-	-
Perfumes & Cosmetics	14 ⁽³⁾	18.8	23.2	13.6
TOTAL	4,173	3,764.1	2,814.1	2,240.9

(1) Change relating to the business volumes at Glenmorangie, and to the improvement of the reporting process at Bodegas Chandon Argentina.

(2) Change relating to business volumes.

(3) Improved purification yield in 2014.

CHANGE IN WATER CONSUMPTION BY BUSINESS GROUP (in m³)

(1) The estimated water consumption for the sales floor areas excluded from the consolidation scope and the assessment process (81% in 2014, 81% in 2013, 76% in 2012, and 74% in 2011) is shown in a different manner.

- For the Fashion and Leather goods group, isolated decrease following the optimization of water management at a Louis Vuitton production site.

- For the Watches and Jewelry group, increase related to an increase in production at certain Bvlgari sites.

- For the selective retailing group, increase related to improved reporting at a DFS site.

- For other businesses, decrease related to the optimization of waterways at the Jardin d'Acclimation.

IMPROVING THE PLANT AND PRODUCTION FACILITIES

In addition to the initiatives implemented in order to reduce their greenhouse gas emissions (see also chapter 3 – LIFE issue, page 48), the Group's Maisons are adjusting their equipment and processes in order to produce in an environmentally-friendly way. In 2014, Hennessy specifically continued to decrease the consumption of its distillation boilers by optimizing the settings of the forced draught boilers, thereby achieving a significant reduction in its consumption of methane and propane. Chandon Australia introduced a compressed air machine that consumes 40% less energy than the previous one. Meanwhile, Belvedere invested in new product packaging machines that use 30% fewer sheets. LVMH goes beyond its industrial equipment: it is building and renovating its production workshops and units by relying on the most stringent environmental standards (see also the focus on page 26 in chapter 2), and is encouraging their proper integration into their respective operating areas. This process is reflected in the policy aimed at maintaining and improving biodiversity at the Château d'Yquem facility. Large areas outside and inside the vineyard area have been reserved for wild plant and animal species, and are only maintained at the beginning and the end of the season in order to allow the species to reproduce freely. These areas, which are protected as part of a nature reserve, amount to 350,000 m² in total, i.e., 25% of the area where the Yquem vineyard grows. This proportion guarantees optimal conditions for protecting the local ecosystem.

POSTERS TURNED INTO NOTEBOOKS AT GUERLAIN

For Christmas 2014, from its boutique at 68, avenue des Champs-Élysées in Paris and on the internet, Guerlain sold a notebook made out of old "La Petite Robe Noire" posters. This project, which enabled a temporary advertising platform to be given a second life, was not just environmentally friendly. It also had a social dimension, as the notebooks were made by people with a disability, and a societal dimension, since profits from the sales were donated to the Guerlain Support Fund, which finances several public benefit causes.

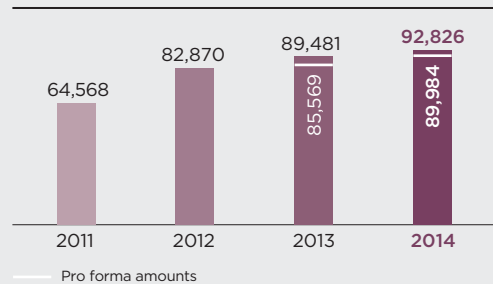
REDUCING AND RECOVERING WASTE

Reducing and recovering waste is another priority work area for LVMH, which has been using a packaging removal platform known as CEDRE since 2010 (see also the focus on page 61 in this chapter). In fact, waste management was the focal point addressed by the Environment Committee that met in June 2014. On that occasion, a decision was taken to launch a pilot waste collection, sorting and weighing campaign at all the LVMH boutiques located in the 8th district of Paris, with the ultimate aim of providing them with a high-quality service. This campaign may be extended to other regions.

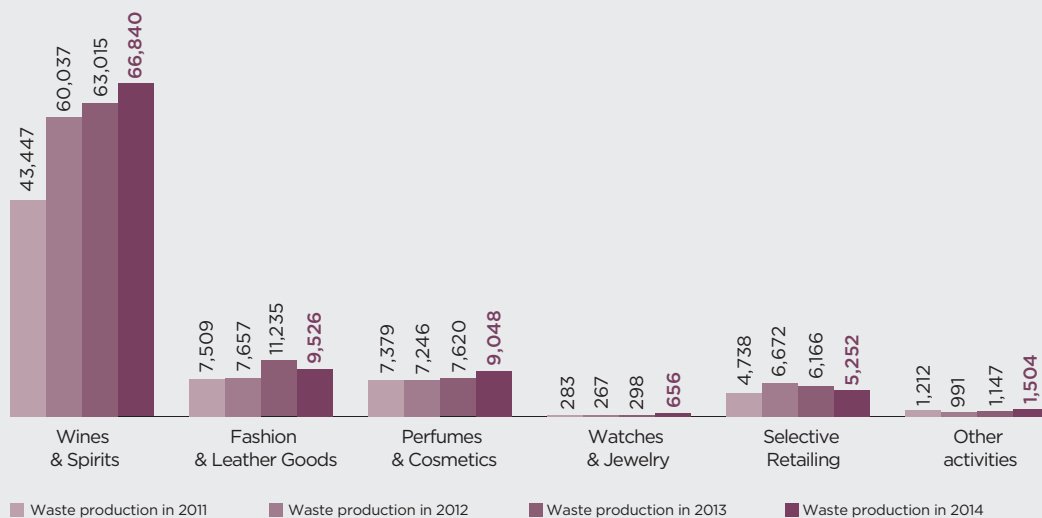
Each year, many Maisons introduce innovations with a view to keeping their waste production to a minimum, raising their employees' awareness of good practice, improving the selective sorting of waste, setting up recovery channels for certain materials, encouraging recycling and developing a reporting process

in order to monitor their performance and continue to improve. In 2014, for example, Louis Vuitton introduced a raw material inventory management policy with three targets: determining a recovery flow for each type of material and avoiding their systematic destruction; destroying the minimum amount possible by offering these materials in new products as a priority, and promoting the measures by quantifying the losses avoided in euros. The Maison also used several drivers (technical, know-how and pooling) in order to reduce the loss rate for materials, which resulted in the recording of significant reductions for eight of the eleven most strategic leather categories.

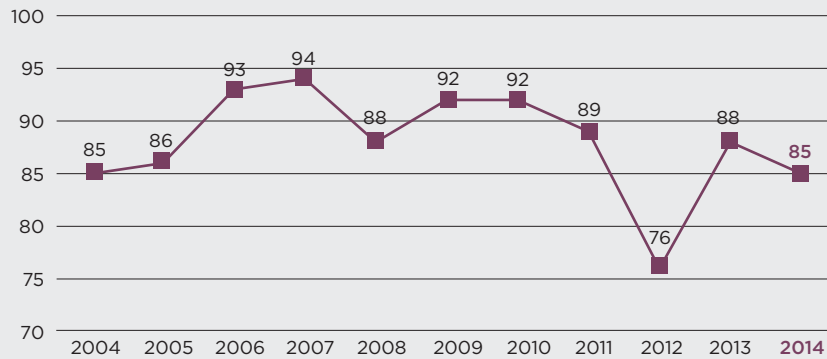
WASTE PRODUCED BY THE GROUP (in metric tons)



CHANGE IN THE WASTE PRODUCED BY EACH BUSINESS GROUP (in metric tons)



PERCENTAGE OF WASTE RECOVERY



RECOVERY OF THE WASTE PRODUCED BY THE LVMH GROUP FACILITIES IN 2014

(% of recovered waste)	Re-used	Recovery of materials	Waste-to-energy recovery	TOTAL AMOUNT RECOVERED
Wines & Spirits	40	47	2	89
Fashion & Leather Goods	2	33	31	66
Perfumes & Cosmetics	3	72	22	97
Watches & Jewelry	11	31	5	47
Selective Retailing	5	28	9	42
Other activities	-	57	43	100
TOTAL	30	47	8	85

CHANGE IN THE HAZARDOUS WASTE PRODUCED BY EACH BUSINESS GROUP

(metric tons)	2014	2013	2012	2011
Wines & Spirits	441	251	346	178
Fashion & Leather Goods	885	573	163	121
Perfumes & Cosmetics	1,424	1,190	980	896
Watches & Jewelry	124	33	26	29
Selective Retailing	113	155	127	64
Other activities	139	154	77	79
TOTAL	3,126	2,356	1,719	1,367

A TOOL: THE CEDRE RECYCLING PLATFORM



The CEDRE platform (which stands for Packaging Removal and Environmentally-Friendly Recycling Environmental Centre) dedicated to sorting, recycling and recovering waste used by LVMH began its fourth year of operations in 2014.

1,600 metric tons of waste treated in 2014

CEDRE was set up in Pithiviers in 2009. The Group's Perfumes & Cosmetics Maisons and Sephora have been using it since 2010, while Louis Vuitton has been using it since 2011. The platform currently handles several kinds of waste sources, including packaging items and expired alcoholic products, advertising materials, testers used in store, empty packaging returned by customers and so on. It handled around 1,600 metric tons of very diverse waste in 2014 and was able to resell some of that waste to a network of recycling centers specializing in materials such as glass, cardboard, wood, metal, plastic, alcohol and cellophane.

Full recovery and complete traceability

Thanks to the various selective sorting channels, the waste gathered at CEDRE is treated in accordance with the specific features of its recovery process, which can therefore be maximized. Another of the platform's strong points is the fact that its traceability is so high that it enables LVMH

to avoid destruction processes monitored by bailiffs. Every pallet is identified by a barcode, and every one of the materials that makes up the pallet is tracked until the end-recycler. The incoming weight slips and the packaging removal report are reconciled within a margin of 1 kilogram!

A genuine partnership-based relationship with the Maisons

Four years after CEDRE's inauguration, a genuine partnership-based relationship has been established with the Maisons, in terms of both reducing the volume of waste to be treated at source, and encouraging recovery. For instance, Guerlain has set up 30 selective waste sorting points on the platform, in order to recover its waste, including tester or obsolete bottles. As a result, 72% of the waste generated by its industrial facilities is recovered via recycling, re-use or composting. Meanwhile, Sephora is now offering a 20% reduction on the purchase price of a new box if the empty bottle is returned. This campaign has doubled the number of the Maison's perfume bottles recycled via CEDRE, while resulting in a significant rise in the number of new customers.

A new agreement for textiles

The platform extended its scope of operations in 2014. In addition to perfumes and cosmetics that are past their sell by date and promotional materials, the platform will handle the textile waste from the Berluti, Christian Dior Couture, Kenzo Mode, Louis Vuitton and Sephora Maisons. The agreement covers uniforms as well as scrap material and obsolete rolls. Sephora has already offered its advisors the opportunity to recycle their old uniforms via the platform. Around 15 pallets of material were recovered, and were used to create an environmentally-friendly insulation material for homes.

FOCUS ON THE OTHER ISSUES IN THE LIFE PROGRAM

LIFE

TAKING ACTION TO PRESERVE CRITICAL SKILLS

Critical skills are a key advantage in the luxury goods sector, while some skills, such as sustainable viticulture and ethno-botany, are directly related to the environment. The LVMH Group Maisons take care to preserve and transmit these skills by performing regular strategic reviews. Accordingly, in Spain, Loewe focuses on preserving the traditional working methods used by tanners to produce lambskin leather, working closely with its suppliers. The principal tasks of the La Sarrazine Cooperage in Cognac are to manufacture, maintain and repair the casks that contain the Hennessy Maison's eaux-de-vie. These casks, which are made entirely by hand, are the result of know-how that goes back almost 250 years, and has been passed down from generation to generation by the master coopers. To make its casks, the Maison uses only French oak, sourced primarily from the Limousin forests, which are all sustainably managed and PEFC (Program for the Endorsement of Forest Certification) certified.

LIFE

INITIATIVES AIMED AT RESPONDING TO STAKEHOLDERS QUESTIONS

The ability to answer questions from stakeholders, including customers, about the environment is a key aspect of LVMH's environmental performance. Any member of the public should be able to find contact persons at the Group's Maisons and stores and obtain valuable information on its environmental initiatives. Although Bvlgari has chosen to set up a cross-divisional team responsible for responding to customers' requests, most Maisons focus on making all their employees ambassadors for their environmental protection policy. They draw up training courses and talking points for them, and even distribute handbooks in order to help the store personnel to answer certain questions, such as those relating to the REACH Regulations, or to Responsible Jewellery Council certification. At the same time, the Maisons anticipate questions from stakeholders by communicating their environmental initiatives and by placing significant emphasis on the information available to the general public on their websites, often under headings dedicated to the environment. The Group also responds to requests from financial investors (see also on page 19).

SUMMARY STATEMENT OF THE INFORMATION COVERED BY THE DECREE OF APRIL 24, 2012

THIS “2014 ENVIRONMENTAL REPORT” AND THE “2014 REGISTRATION DOCUMENT”, WHICH ARE AVAILABLE ON THE GROUP’S WEBSITE, PROVIDE INFORMATION ON THE ENVIRONMENTAL ISSUES AND INDICATORS SPECIFIED IN THE DECREE OF APRIL 24, 2012, IMPLEMENTING ARTICLE 225 OF LAW NO. 2010-788 OF JULY 12, 2010 REGARDING THE NATIONAL COMMITMENT TO THE ENVIRONMENT (ALSO KNOWN AS THE GRENELLE II LAW).

THE VERIFICATION OF THE INCLUSION OF THE ENVIRONMENTAL INFORMATION IS THE SUBJECT OF A REPORT ISSUED BY AN INDEPENDENT THIRD-PARTY ORGANIZATION IN ACCORDANCE WITH THE DECREE OF MAY 13, 2013.

ITEMS COVERED BY THE DECREE OF APRIL 24, 2012

RELEVANT CHAPTER AND PARAGRAPHS OF THE “2014 ENVIRONMENTAL REPORT”

ENVIRONMENTAL INFORMATION

a) General environmental policy

The company’s arrangements for taking environmental issues into account	• Chapter entitled “The framework for action”, p. 06
Environmental assessment or certification initiatives, where applicable	• Paragraph entitled “The environmental management and certification processes”, p. 23 • Paragraph entitled “Sustainable construction and renovation”, p. 26
Employee training and information initiatives implemented in terms of protecting the environment	• Paragraph entitled “Employee information, awareness-raising and training”, p. 21
Resources dedicated to preventing environmental risk and pollution	• Chapter entitled “Initiatives implemented in 2014”, p. 36 • Paragraph entitled “Substantial financial resources”, p. 11
Amount of the provisions and guarantees for environmental risk, as long as this information is not likely to cause the company serious harm as part of ongoing proceedings	• Paragraph entitled “Management of compliance and risk prevention”, p. 22

b) Pollution and waste management

Measures to prevent, reduce, or remedy discharges that have a serious impact on the environment	• Chapter entitled “Environmental excellence of the internal and sub-contractor production processes”, p. 36
Atmospheric emissions	• Paragraph entitled “Atmospheric emissions”, p. 48
Discharges into water	• Paragraph entitled “Prevention of discharges into soil and water”, p. 56
Discharges into soil	
Measures aimed at preventing, recycling and eliminating waste	• Paragraph entitled “Waste reduction and recovery”, p. 58
Taking into account of noise nuisance and any other form of pollution specific to a business activity	• Paragraph entitled “VOC emissions”, p. 55

c) Sustainable use of resources

Water consumption and water supply depending on local constraints	• Paragraph entitled “Measures aimed at saving water resources”, p. 56
Consumption of raw materials and measures taken to improve the effectiveness of their use	• Chapter entitled “Incorporating environmental concerns into design”, p. 37 • Chapter entitled “Securing access to responsibly sourced raw materials and protecting biodiversity from the outset”, p. 41 • Paragraph entitled “Responsible Jewellery Council”, p. 29
Energy consumption	• Paragraph entitled “Energy management”, p. 50
Measures taken to improve energy efficiency	• Paragraph entitled “Energy savings”, p. 50
Use of renewable energy	• Paragraph entitled “Renewable energy”, p. 53
Land use	• Paragraph entitled “Prevention of discharges into soil and water”, p. 56 • Paragraph entitled “Sustainable viticulture”, p. 41 • Paragraph entitled “Certification of Wines & Spirits”, p. 24

d) Climate change

Greenhouse gas emissions (GGEs)	• Paragraph entitled “Initiatives implemented in order to reduce the business activities’ impact on climate change”, p. 48 • Paragraph entitled “Sustainable construction and renovation”, p. 26
Adjusting to the consequences of climate change	• Paragraph entitled “Two keys for success: collective working and anticipation”, p. 55

e) Protection of biodiversity

Measures taken to preserve or develop biodiversity	• Paragraph entitled “Measures taken to secure access to strategic raw materials and protect biodiversity from the outset”, p. 41
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INFORMATION RELATING TO SOCIETAL COMMITMENTS AIMED AT PROMOTING SUSTAINABLE DEVELOPMENT**a) Regional, economic, and social impact of the company’s business activities**

On the neighboring or local population	• Chapter entitled “Initiatives implemented in 2014”, p. 36 • Paragraph entitled “Environmental corporate sponsorship”, p. 33
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b) Relations maintained with persons or organizations interested in the company, including social inclusion organizations, educational institutions, environmental protection organizations, consumer organizations, and the neighboring population

The conditions for dialogue with these persons or organizations	• Chapter entitled “Project partnerships and professional exchanges”, p. 29 • Paragraph entitled “Collaborative working”, p. 30 • Paragraph entitled “Raising public awareness”, p. 34 • Paragraph entitled “Ability to answer questions from customers about the environment and health”, p. 62
Partnership or corporate sponsorship initiatives	• Chapter entitled “Project partnerships and professional exchanges”, p. 33

c) Sub-contracting and suppliers

Taking environmental issues into account in the purchasing policy	• Paragraph entitled “Initiatives implemented in order to increase the responsibility of suppliers and sub-contractors”, p. 46
Importance of sub-contracting and taking suppliers and sub-contractors’ environmental responsibility into account in relationships with them	

d) Fairness of practices

Measures taken to safeguard consumers’ health and safety	• Chapter entitled “Traceability and compliance of materials” • Paragraph entitled “Environmentally-friendly billboards”, p. 43
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ENVIRONMENTAL REPORTING METHODOLOGY NOTICE

THE LVMH GROUP HAS BEEN CONSOLIDATING ENVIRONMENTAL INDICATORS SINCE 1999; AND THOSE INDICATORS HAVE BEEN PUBLISHED SINCE 2001. THEY HAVE BEEN VERIFIED BY ONE OF THE AUDITORS' SPECIALIZED TEAMS SINCE 2002. THESE INDICATORS ARE PUBLISHED IN THE GROUP'S REGISTRATION DOCUMENT AND ENVIRONMENTAL REPORT.

PROTOCOL

All the consolidation and calculation rules are defined in the LVMH environmental reporting protocol, which is updated annually and is made available for public consultation by the Environmental Department. Any request to consult the document may be sent to the following address: environnement@lvmh.fr.

SCOPE

The environmental indicator reporting process covered the following scope in 2014:

PRODUCTION FACILITIES, WAREHOUSES AND ADMINISTRATIVE FACILITIES (number)

	2014
Facilities covered	223
Facilities not covered	41 ⁽¹⁾
Total number of facilities	264

(1) Of which primarily: Loro Piana, some Louis Vuitton regional administrative facilities, as well as the administrative facilities of Fresh, Pucci, Acqua di Parma, Marc Jacobs and Donna Karan.

The industrial, logistics and administrative facilities that are not covered by the environmental report are essentially excluded for operational reasons and are not material. A plan to gradually include them is underway. Where the production of waste is concerned, only the DFS, Le Bon Marché, and some Louis Vuitton stores are included in the scope. The Group has over 3,600 stores, and some environmental data are hard to access for small stores. However, the Group has set itself the target to gradually include those stores.

SALES FLOOR AREAS INCLUDED IN THE SCOPE, FOR EACH INDICATOR

(as a percentage of the total sales floor areas or of the Maison's sales floor area) ⁽¹⁾	Energy consumption and emission of greenhouse gases		Water consumption	
	2014 ⁽²⁾	2013	2014 ⁽³⁾	2013
Group total	62	53	19	19
Of which primarily:				
DFS	70	64	54	42
Louis Vuitton	64	51	0	15
Sephora Americas	64	61	19	21
Sephora Europe	84	74	24	21

(1) The reporting scope does not include the franchise stores operated by the Fashion & Leather Goods, Perfumes & Cosmetics, and Watches & Jewelry business groups.

(2) All the French stores belonging to Berluti, Givenchy, Guerlain, Kenzo, Le Bon Marché, and Make Up For Ever, and some stores belonging to Bvlgari, Céline, Chaumet, De Beers, Fendi, Loewe, Marc Jacobs and Thomas Pink are also included.

(3) Some stores belonging to Berluti, Bvlgari, De Beers, Fendi, Kenzo and Guerlain are also included.

REPORTING TOOL AND METHODOLOGY

The system used for the environmental reporting process is an in-house tool consisting of two kinds of questionnaire:

- one questionnaire for compiling corporate data: training, packaging, etc;
- one (or several) questionnaire(s) for compiling data specific to the industrial facilities: water and energy consumption, waste production (quantity and types of waste), and waste treatment, etc.

In all, around fifty information items are gathered from each Maison. The data are then checked and automatically consolidated in a central file. This file has many control and warning mechanisms (abnormal data, consistency problems, etc.).

INTERNAL AND EXTERNAL ASSESSMENTS

Consistency controls are performed by the facilities (the data is compared with the data for the previous year) and when the data is being consolidated by the LVMH Environmental Department (abnormalities, and comparisons with the previous year, etc.).

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

CHOICE AND APPROPRIATENESS OF THE INDICATORS

The purpose of the published environmental indicators is to report to stakeholders on the Group's annual environmental results. They provide information on the environmental issues and indicators specified in the Decree of April 24, 2012, implementing Article 225 of Law No. 2010-788 of July 12, 2010 regarding the national commitment to the environment (also known as the Grenelle II Law). The information set out in this document also reflects the guidelines in version 4.0 of the Global Reporting Initiative. The GRI information and environmental indicators presented in this report are as follows:

Strategy		Category environmental	
G4-1	p. 3 to 5	G4-EN1	p. 39
G4-2	p. 7 to 10	G4-EN3	p. 51
		G4-EN4	p. 54
Profile of the organization		G4-EN8	p. 57
G4-3 to G4-16		G4-EN9	p. 56
Information can be found		G4-EN13	p. 33 and p. 41
in the LVMH 2014 Annual		G4-EN15	p. 48 and p. 49
Report which can		G4-EN16	p. 48 and p. 49
be downloaded from		G4-EN17	p. 54
the Group's website.		G4-EN22	p. 57
		G4-EN23	p. 59 and 60
Identified material aspects and boundaries		G4-EN27	p. 37 and 38
G4-17 to G4-23 p. 65 to 67		G4-EN30	p. 53 and 54
		G4-EN31	p. 11
		G4-EN32	p. 46 and 47
Report profile			
G4-28 to G4-31 p. 65 to 67			

WATER CONSUMPTION

Water consumption is expressed in m³. This indicator enables the quantities of water consumed to be assessed by distinguishing between the following two requirements:

- agricultural requirement: measurement of the quantities of water used for irrigation (which is banned in France) and sprinkling the vines (to prevent frost, etc.). The water volumes used are either measured directly or, more usually, estimated;
- process requirement: measurement of all non-agricultural requirements (industrial and sanitary processes, cleaning, the watering of green spaces, etc.). This water consumption is almost always measured.

WATER POLLUTION

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

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

PRODUCTION OF WASTE

All the waste produced is measured in metric tons.

The waste taken into account is the hazardous and non-hazardous waste removed from the facilities during the reporting period. The treatment method for each kind of waste is also identified so as to calculate a recovery ratio.

The various channels for recycling waste are:

- re-use: using the waste for the same purpose as the one for which the product was initially intended (e.g. in the Wines & Spirits segment: reselling bottles to third parties);
- the recovery of materials, which includes:
 - recycling: waste is directly reintroduced into the production cycle from which it came, in order to partially or completely replace a virgin raw material, such as paper and cardboard, or certain types of plastics, etc;
 - organic recovery: composting, controlled spreading of organic waste in order to fertilize soil, etc;
 - waste-to-energy recovery: incineration and recovering the energy generated by the combustion process in the form of electricity or heat.

ENERGY CONSUMPTION

Energy consumed is expressed in MWh, and represents all the kinds of energy used by the facilities (electricity, natural gas, heating oil, heavy oil, steam and butane-propane) and by company vehicles.

GREENHOUSE GAS EMISSIONS

This indicator is expressed in CO₂ equivalent metric tons, and corresponds to the greenhouse gas emissions relating to the energy consumed by the facilities. It covers direct and indirect greenhouse gas emissions.

UPSTREAM AND DOWNSTREAM TRANSPORTATION

This indicator is expressed in metric tons per kilometer and CO₂ equivalent metric tons. A distinction is made between upstream transport and downstream transport:

- downstream transport: this is the number of kilometers traveled by the raw materials and components from the final supplier facility to the first delivery facility. The assessment is performed on the main components and products at the very least:

- Wines & Spirits: bottles, boxes, corks, etc;
- Perfumes & Cosmetics: bottles, boxes, etc;
- Fashion & Leather Goods: leathers, metal parts, packaging, ready-to-wear, etc;
- Watches & Jewelry: boxes cases, etc;
- Selective Retailing: store bags, envelopes, boxes, etc;
- downstream transport: this is the number of kilometers traveled by all finished products from the manufacturing facility to the first platform belonging to the wholesale customer or to the stores (for the selective retailing business groups and the brands that have stores).

PACKAGING INTRODUCED TO THE MARKET

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

TRAINING AND AWARENESS SESSIONS

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

- training employees in order to reduce their impact on the environment (energy consumption, handling of hazardous products, training on environmental regulations, training for health, safety and environment officers, training on environmental audits, water management, waste management, sustainable viticulture, etc.);
- general environmental training and awareness-raising (main issues: greenhouse gases, biodiversity and raising the awareness of grape harvest workers, etc.) or on environmental management systems (ISO 14001, etc.);
- training provided by the holding company (orientation seminar for new managers, attendance at the Environmental Committee, and involvement of the LVMH Environmental Department in Executive Committees or other meetings, etc.);

- the hours devoted by in-house environmental trainers (Sustainable Development Week, World Water Day, health and safety and environment officers who conduct training/awareness sessions, etc.).

PERCENTAGE OF THE FACILITIES THAT HAVE BEEN THE SUBJECT OF AN ENVIRONMENTAL AUDIT

This indicator represents the number of facilities that have been the subject of an (internal or external) environmental audit during the year, out of the total number of facilities. The audits included in the scope of this indicator must address:

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

These audits are approved by a written audit report that sets out recommendations.

The facilities included in the scope of this indicator are the production facilities, warehouses and administrative facilities owned and/or operated by companies controlled by the Group. The boutiques are not covered by these audits.

EXPENSES INCURRED IN ORDER TO PREVENT A BUSINESS ACTIVITY FROM HAVING AN EFFECT ON THE ENVIRONMENT

This indicator is expressed in thousands of euros. It includes the following expenditure incurred and investments made in order to avoid a business activity having an impact on the environment:

- expenditure on the protection of the ambient air and the climate;
- expenditure on the management of waste water;
- expenditure on the management of waste;
- expenditure aimed at preventing noise and vibrations (excluding the protection of the workplace);
- expenditure aimed at protecting biodiversity and the landscape;
- research and development expenditure;
- expenditure on other environmental protection activities.

REPORT BY THE INDEPENDENT THIRD-PARTY ORGANIZATION ON THE CONSOLIDATED SOCIAL, ENVIRONMENTAL AND SOCIETAL INFORMATION

FOR THE ATTENTION OF THE CHIEF EXECUTIVE OFFICER

Following the request made to us in our capacity as the independent auditor for LVMH Moët Hennessy Louis Vuitton, we hereby present our report on a selection of environmental indicators set out in the LVMH Environmental Report prepared for the fiscal year ending December 31, 2014.

THE COMPANY'S RESPONSIBILITY

The LVMH Moët Hennessy Louis Vuitton Environmental Department is responsible for drawing up the selected indicators, in accordance with the guidelines that it has established, and which it must ensure are available. The Guidelines (LVMH environmental reporting protocol, hereinafter the "Guidelines") are summarized in the section entitled "Methodology notice on the LVMH Group's environmental reporting process" in the Environmental Report, and are available from the Environmental Department at the following address: environnement@lvmh.fr.

INDEPENDENCE AND QUALITY CONTROL

Our independence is defined in the regulations, our professional Corporate Conduct Code, and the provisions specified in Article L. 822-11 of the French Commercial Code. Furthermore, we have introduced a quality control system that includes documented policies and procedures aimed at ensuring compliance with corporate conduct rules, professional standards and the applicable legislation and regulations.

RESPONSIBILITY OF THE INDEPENDENT AUDITOR

It is our responsibility, on the basis of our controls, to express:

- a reasonable assurance conclusion on the fact that the "Downstream transport of finished products (metric tons per km)" indicator does not include any material misstatements likely to call its presentation into question, in terms of all its significant aspects, in accordance with the Guidelines;
- a reasonable assurance conclusion on the fact that

a second series of environmental⁽¹⁾ indicators is presented in a fair and true manner, in accordance with the Guidelines, where all their material aspects are concerned. The conclusions expressed hereinafter apply solely to these indicators, and not to all the environmental indicators contained in the Environmental Report, or to the environmental information published in the company's 2014 Registration Document. These conclusions do not cover the data from retail sales operations that have not been directly included in the environmental indicator reporting scope; these data are estimated by extrapolation.

1. REASONABLE ASSURANCE REPORT ON A SELECTION OF CSR INFORMATION, AND CONCLUSION

NATURE AND SCOPE OF THE CONTROLS

Our work consisted in:

- assessing the appropriate nature of the Guidelines in terms of its appropriateness, completeness, reliability, objectivity and comprehensible nature, taking best practices in the sector into consideration, where applicable;
- at the Group level:
 - conducting interviews with the individuals responsible for reporting the indicators;
 - performing an analysis of the gravity and risk of misstatement;
 - assessing the application of the Guidelines, implementing analytical procedures and consistency tests, and checking the consolidation of the Indicators on the basis of spot checks;
- selecting a sample of Maisons that are representative of the businesses⁽²⁾ activities and geographical locations, based on their contribution to the indicators and the risks of misstatement previously identified:
 - the entities selected represent 56% of the quantitative environmental information published by LVMH Moët

Hennessy Louis Vuitton, on average;

- we checked the understanding and application of the Guidelines at this level, and conducted detailed tests on the basis of spot-checks, which consisted in checking the calculation formulas and reconciling the data with the supporting documents;
- reviewing the presentation of the indicators featured in the LVMH Environmental Report.

CONCLUSION

We did not identify any material misstatement based on our work that was likely to call into question the fact that the “Downstream transport of finished products” (metric tons per km) environmental indicator was prepared in accordance with the Guidelines, in terms of all its significant aspects.

2. REASONABLE ASSURANCE REPORT ON A SELECTION OF CSR INFORMATION, AND CONCLUSION

NATURE AND SCOPE OF THE WORK

In the case of the second series of environmental indicators, we performed work of the same kind as that described in paragraph 1 above for the first selection of environmental indicators, but in a more in-depth manner, especially where the number of tests was concerned.

CONCLUSION

In our opinion, the following environmental indicators “total COD after treatment” (metric tons/year), “percentage of the facilities that were the subject of environmental audits” (%), “total water consumption for ‘Process’ requirements” (m³), “total waste produced” (metric tons), “total hazardous waste produced” (metric tons), “percentage of waste recovered” (%), “total energy consumption” (MWh), “total greenhouse gas emissions”

(t CO₂ eq), and “total packaging introduced to the market” (metric tons) are presented in a true and fair manner where all their significant aspects are concerned, in accordance with the Guidelines.

3. COMMENTS ON THE GUIDELINES AND THE INDICATORS

Although we are not calling the above conclusions into question, we would draw your attention to the following points:

- in the case of the calculation of the “Chemical oxygen demand” indicator, as specified in the “Methodology notice for the LVMH Group’s environmental reporting process”, the frequency of the measurements at one of the facilities that makes the largest contribution is compliant with local regulations, but remains limited in view of the changes observed in the amounts emitted;
- the controls performed by a few Maisons remain inadequate. Those performed at the Group level enable the main discrepancies identified at the level of these Maisons to be corrected;
- to make the comparison between the selected environmental information easier, LVMH presents the total Group amount and the 2014 amount, calculated according to a determined pro forma scope determined in the “Methodology notice for the LVMH Group’s environmental reporting process”.

Paris-la Défense, April 17, 2015

The Independent Auditor
ERNST & YOUNG and Partners

Bruno Perrin
Partner

Éric Mugnier
Sustainable Development Partner

(1) Total COD after processing (metric tons/year); percentage of sites that have been the subject of environmental audits (%); total water consumption for “process” needs (m³); total waste produced (metric tons); total hazardous waste produced (metric tons); percentage of waste recovered (%); total energy consumption (MWh); greenhouse gases from scope 1 and 2 (metric tons of CO₂ equivalent); packaging that reaches customers (metric tons/year).

(2) **Wines & Spirits group:** Cloudy Bay (New Zealand), Glenmorangie (Ardbeg et Tain, Scotland), Hennessy (France), MHCS (France), Polmos Zyrardow (Poland); **Fashion & Leather Goods group:** Celine (Italy), LVM Issoudun (France), LVM Les ateliers de l’Ardèche (France); LVM Saint-Pourçain (France), Kenzo Mode (France), Heng Long tannery (China); **Perfumes & Cosmetics group:** Givenchy Parfums (Beauvais, France), Parfums Christian Dior (SJDB, France), Parfums Christian Dior (Paris, France); **Watches & Jewelry group:** Bvlgari Neuchâtel (Switzerland), Hublot (Switzerland), De Beers (United Kingdom); **Selective Retailing group:** DFS Hawai’i Waikiki Square (United States of America), DFS Okinawa (Japan), DFS Saipan (Japan), Le Bon Marché (France), Sephora Americas Energy (United States of America); **Other activities:** Le Jardin d’Acclimatation (France).

PHOTOGRAPHS

Karl Lagerfeld - Paolo Verzone - Maison Veuve Clicquot - Maison Louis Vuitton - Loro Piana
- Fondation Louis Vuitton, Iwan Baan - Picture libraries of LVMH and Group's Maisons.

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LVMH

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